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In The
SUPREME COURT OF THE UNITED STATES
October Term, 1993

MANILDRA MILLING CORPORATION, ***Petitioner,***
v.
OMI HOLDINGS, INC., ***Respondent.***

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit is unconstitutionally depriving parties of the right to trial by jury by reversing, in whole or in part, forty-two percent (42%) of the jury verdicts in patent cases that it has reviewed since 1987 under the substantial evidence test, and, in particular, by *sua sponte* reversing a $4.75 million jury verdict for damages, reached after five months of trial and six weeks of jury deliberation, on a purely factual issue unrelated to any matters of patent law, that the respondent did not even contest at trial or on appeal.

LIST OF PARTIES

The parties to the proceedings in the trial court, the U.S. District Court for the District of Kansas, were the petitioner, Manildra Milling Corporation ("Manildra"); the owner of Manildra's parent company, John Thomas Honan ("Honan"); the predecessor of the respondent OMI Holdings, Inc. ("OMI"), Ogilvie Mills, Inc.("Ogilvie"); and Henkel Corporation and Henkel of America, Inc. (together, "Henkel"). Before trial, Manildra entered into an agreement with Henkel settling all claims. After trial, OMI succeeded to Ogilvie's interest in the proceedings.

The parties in the Court of Appeals for the Federal Circuit were the petitioner, Manildra; the respondent, OMI; and Honan.

Honan has been dropped from the parties in this petition because he is not an adverse party, he prevailed in the proceedings at the trial and appellate level, and is not subject to the portion of the Court of Appeals decision that is the subject of this petition for certiorari.

RULE 29.1 LIST OF PARENT COMPANIES

Manildra Milling Corporation is a wholly owned subsidiary of Honan Holdings, USA, Inc. It has no subsidiaries to list pursuant to Rule 29.1.

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PETITION FOR WRIT OF CERTIORARI

The petitioner Manildra Milling Corp. respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in the proceeding entitled Manildra Milling Corporation v. Ogilvie Mills, Inc. v. Henkel Corporation and Henkel of America, Inc., v. John Thomas Honan on June 22, 1993.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is not reported. It is reprinted in the appendix hereto, p. 1a.

The memorandum and order of the United States District Court

for the District of Kansas (Saffels, J.) is reported at 797 F.Supp. 874. It is reprinted in the appendix hereto, p. 27a.

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Federal Circuit was entered on June 22, 1993 (p. 1a), reversing the judgment of the trial court dated June 16, 1992 (p. 27a) in petitioner's favor on the Lanham Act and Kansas unfair competition laws. The Court of Appeals denied a timely petition for rehearing on September 20, 1993 (p. 25a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION INVOLVED

U.S. Constitution Amendment VII

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

This proceeding was commenced pursuant to 28 U.S.C. §§ 1331 and 1338 in the United States District Court for the District of Kansas, on a complaint for declaratory relief and damages by Manildra Milling Corporation ("Manildra"). The complaint named Ogilvie Mills, Inc. ("Ogilvie") as defendant and alleged that Ogilvie's patents (Nos. 3,901,725 and 4,280,718) were invalid and were not infringed by Manildra. The complaint also alleged violations of the Sherman Act, the Lanham Act and Kansas unfair

competition laws covering intentional interference with prospective economic advantage and injurious falsehood ("Kansas unfair competition law"). Ogilvie denied Manildra's claims and counterclaimed for patent infringement.

On August 26, 1991, trial began before a jury of nine. More than fifty witnesses testified and the parties introduced almost 1,000 exhibits. After almost five months of trial, the case was submitted to the jury on January 16, 1992. The jury deliberated for six weeks, finding that Ogilvie's patents were invalid and not infringed by Manildra and that Ogilvie had violated the Lanham Act and Kansas unfair competition law. The jury awarded Manildra $2,250,000 in compensatory and $2,500,000 in punitive damages.

The Basis of the Jury's Verdicts

The linchpin of the Lanham Act and unfair competition verdicts was the jury's finding, on a "clear and convincing evidence" instruction,[1] that Ogilvie asserted its patent rights to convince the five potential customers for the accused product not to buy from Manildra when it knew, or should have known, that its patents were either invalid or not infringed.[2]

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[1] The district court gave the jurors written instructions, which they were allowed to have with them during their deliberations.

[2] Instruction 24 called for the jury to determine, on a clear and convincing evidence standard, whether –

> Ogilvie asserted its patent rights when it knew, or should have known, that its patents were either invalid or unenforceable, or had not been infringed by Manildra.

Instruction 41 required the jury to decide whether –

The Basis of the Federal Circuit's Decision

This petition relates solely to the Federal Circuit's reversal of the jury's verdicts that Ogilvie had violated the Lanham Act and the Kansas unfair competition law. The Federal Circuit reversed on the sole ground that, in its view, there was no more than a scintilla of evidence that Ogilvie ever told the potential customers that Manildra was an infringer.

That decision ignored a substantial body of evidence, including (1) an admission by Ogilvie's senior American officer that he "may have" told the customers that Manildra was infringing, (2) Ogilvie's own sales reports that told a story of its not very subtle message to customers that an infringement suit could become "cost effective" if they did not limit their purchases from Manildra, and (3) a customer's document flat out stating that Ogilvie accused Manildra of infringement. Indeed, Ogilvie had admitted in its post-trial motions that it had told buyers Manildra was infringing its patents, and it did not argue otherwise in its briefs or oral argument on appeal.

Notwithstanding the evidence and a complete absence of dispute on the issue, the Federal Circuit panel seized on it, *sua sponte*. At oral argument, Judge Clevenger remarked:

> Now, I would presume with all deference, Mr West [counsel for Manildra], that if you had a ton of customers

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> Ogilvie published a statement, and such statement was reasonably understood by those who heard it to cast doubt on the legal status of Manildra's [product].

The jury found that these conditions (as well as others requiring false and misleading representations and malice) existed.

> that had been subjected to a litany[3] and if the litany indeed involved threatening -- saying, "Listen here, Manildra's product infringes our patent," you wouldn't have had any trouble putting those people on the stand. There is only one reference to infringement uh, just a second, I mean you've got your staff over there maybe they can start looking but until somebody can demonstrate to me to the contrary, I think that you don't even have a scintilla of evidence supporting a falsehood.

Thus began the journey of the Federal Circuit, first to set its own standard of what proof *should* have been available (without any background whatsoever about the industry, traditional relationships between suppliers and customers or other factors that could lead a jury to reach a different conclusion about what evidence ought to be available) and then to make its own appraisal of the evidence that was presented at trial.

This process resulted in the court's conclusion that:

> [A]fter examining the entire record on appeal, we have discovered only one document, referred to as [Ex.] 715, out of several thousand trial exhibits, that provides some evidence that Ogilvie without qualification stated that Manildra was infringing its patents. Moreover, this single document is not a direct communication between Ogilvie

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[3] The evidence showed that prior to the time Ogilvie purchased the patents and the business that produced the product from Henkel of America, Inc., Henkel's general manager and chief salesman had developed what they called a "litany" about Henkel's patent rights including the claim that Manildra was an infringer. When Ogilvie purchased the business and patents, it hired the same general manager, chief salesman and other senior employees. Thereafter, Ogilvie's written sales call reports indicate that they repeated the "litany" to potential buyers of Manildra's accused product. Since there are only five users of the product in the U. S., this was an exceptionally easy market to communicate with.

> and one of its customers, but rather is an internal customer memorandum between two of the customer's employees regarding future * * * purchases and a future expansion of business. [Federal Circuit Opinion at p. 17a-18a]

The court found that Exhibit 715 (p. 94a) constituted a "mere scintilla" of evidence and overturned the jury's verdict.[4]

In reaching its conclusion, the court perforce concluded:

- -- No reasonable juror could credit a customer's internal memorandum reporting that Ogilvie had charged Manildra with infringement. See p. 16 below.
- -- No reasonable juror could construe as an admission the statement by Ogilvie's chief operating that he "may have" told customers that Manildra was infringing. See p. 16 below.
- -- No reasonable juror could conclude that, when Ogilvie told a customer that a suit for patent infringement would not be "cost effective" so long as Manildra's sales were limited, it was threatening infringement litigation if those sales increased. See p. 17 below.
- -- No reasonable juror could equate Ogilvie's claim that, because of the patents, Manildra was not a "legitimate

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[4] The Federal Circuit never explained why this document was, in its opinion, a "mere scintilla" other than noting it was an internal customer memorandum. Its opinion seems to confuse quantity with quality. Even if the Federal Circuit was right that there was only one document out of several thousand exhibits on point, it does not logically follow that a single document is a "mere scintilla." Indeed, Ex. 715 is particularly credible, since it was sent by a purchaser to his superior and documented the customer's decision to limit purchases from Manildra because of Ogilvie's threat to embroil the customer in patent infringement litigation. A fact finder might reasonably have seen the document as a "smoking gun" rather than a "scintilla" of evidence.

competitive situation" to a charge of patent infringement. See p. 17 below.

-- No reasonable juror could conclude that Ogilvie's "litany" to its customers, which admittedly related to its purchase of the patents and their violation by Manildra, was tantamount to a charge of infringement. See p. 18 below.

To recite these conclusions of fact that were essential to the Federal Circuit's decision is to demonstrate how improper that decision was. It was plain and even arrogant error to hold that no reasonable juror, exposed to this array of evidence during five months of trial and six weeks of deliberation, could have found as they did.

This is not an isolated instance of overly aggressive fact-finding by the Federal Circuit, a practice that has once before earned it summary reversal by this Court and has not abated since then. But this may be the most egregious example of a practice that, at bottom, denies litigants their Seventh Amendment rights to a jury trial.

This Court should act again, by summary procedure, to correct the Federal Circuit's mistaken practice.

ARGUMENT

I. The Court of Appeals for the Federal Circuit Has Become Notorious for Improper Fact-Finding

It is a cardinal rule of appellate review that courts of appeals must give a high degree of deference to determinations of fact at the trial level, particularly those by a jury. Unwarranted fact-finding at the appellate level is particularly corrosive to the judicial process. The spectacle of appellate panels -- who have not heard the evidence and cannot, on a sterile written record, make a careful and balanced

evaluation of what and whom to believe -- second-guessing fact-finders at trial can only undermine public confidence in the litigation process and the protections of the Seventh Amendment.

It is physically impossible for this Court routinely to oversee whether inferior courts give proper deference to this crucial limitation on appellate review. Consequently, our system requires self-policing by the courts of appeal. Most have carried out this duty responsibly; unfortunately, the Federal Circuit has not. Indeed, it has become notorious for engaging in improper fact-finding.

Thus, the principal speaker at the Court's Fourth Judicial Conference could bluntly state:

> The charge that the court makes de novo fact finding is demonstrably true. I don't believe that there is a judge on the court that would deny it.
>
> That fact induces lawyers to disregard Rule 52(a) and to reargue facts that they shouldn't really be rearguing before the appellate court.

Fourth Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit, 112 F.R.D. 439, 542 (1987) (Statement of Thomas Arnold). The court's chief and two other judges were members of the same panel of speakers; none challenged the assertion. The issue was of such moment that a "mini-debate" on the subject, "Resolved: The Federal Circuit Has Improperly Assumed the Role of Fact Finder * * *" was held as part of the proceedings.[5] Id. at 609-619. The speaker supporting

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[5] The debate was focused on the requirements of FRCP 52(a), which concerns the review of fact-finding by a trial judge under the "clearly erroneous" standard, rather than the stricter substantial evidence test employed in the review of jury verdicts. Nonetheless, the speaker supporting the affirmative of the debate stated:

the affirmative position was able to cite nine Federal Circuit cases raising the issue,[6] seven more where an abuse of Rule 52(a) was alleged,[7] three additional cases where the contention was made by

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> All I know is that there are a significant number of cases, there are a significant number of patent trial bar, who are of the firm conviction that the court has engaged in excessive fact finding.

112 F.R.D. at 611.

[6] *Simmons Fastener Corp. v. Illinois Tool Works*, 739 F.2d 1573 (Fed. Cir. 1984), *cert. denied*, 471 U.S. 1065 (1985); *Amstar Corporation v. Envirotech Corporation et al.*, 730 F.2d 1476 (Fed. Cir.), *cert. denied*, 469 U.S. 924 (1984); *RCA Corp. v. Applied Digital Data Systems, Inc.*, 730 F.2d 1440 (Fed. Cir.) (*Kashiwa, J., dissenting*), *cert. dismissed*, 468 U.S. 1228 (1984); *Jones et al. v. Hardy*, 727 F.2d 1524 (Fed. Cir. 1984) (*Kashiwa, J., dissenting in part*); *TP Laboratories, Inc. v. Professional Positioners, Inc. et al.*, 724 F.2d 965 (Fed. Cir.), *cert. denied*, 469 U.S. 826 (1984); *Raytheon Company v. Roper Corporation*, 724 F.2d 951 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 835 (1984); *Rohm & Haas Company v. Crystal Chemical Company, et al.*, 722 F.2d 1556 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984); *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983) (*Davis, J., concurring in the result in part and dissenting in part*), *cert. denied*, 469 U.S. 851 (1984); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530 (Fed. Cir. 1983).

[7] *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985); *Woods v. Tsuchiya*, 754 F.2d 1571 (Fed. Cir.), *cert. denied*, 474 U.S. 825 (1984); *EWP Corp. et al. v. Reliance Universal Inc. et al.*, 755 F.2d 898 (Fed. Cir.), *cert. denied*, 474 U.S. 843 (1985); *Rol Mfg. Co. v. Nickson Industries, Inc.*, 765 F.2d 160 (Fed. Cir.), *cert. denied* 474 U.S.843 (1985); *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853 (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986); *Ashland Oil, Inc. v. Delta Resins & Refractories*, 776 F.2d 281 (Fed. Cir.), *cert. denied*, 475 U.S. 1017 (1985); *Panduit Corp. v. Dennison Mfg. Co.*, 774 F.2d 1082 (Fed. Cir.), *cert. granted and judgment vacated by*, 475 U.S. 809 (1985), *on remand*, 810 F.2d 1561, *cert. denied*, 481 U.S. 1052 (1987).

the dissent,[8] and eleven in which he concluded that the court had gone too far.[9]

That the Federal Circuit's own Conference would have devoted so much time to this issue demonstrates its immediacy and importance. That members of the patent bar participating in the Conference would have spoken so candidly in criticism of the court (before the very judges who hear their appeals) demonstrates their high frustration with the court's practice.

The Fourth Conference took place only a day after this Court announced its *per curiam* decision in *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986). *Panduit* vacated a judgment of the Federal Circuit in which it had disregarded factual determinations of the trial judge relating to the issue of obviousness. The Court observed that, whether the ultimate question of obviousness is one of fact or law, the subsidiary determinations of the district court should be subject to the clearly erroneous standard of Federal Rule of Civil Procedure 52(a), because the Federal Circuit had engaged in fact finding without so much as a mention

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[8] *Woods v. Tsuchiya*, 754 F.2d 1571, 1582 (Fed. Cir. 1985); *RCA Corp. v. Applied Digital Data Systems, Inc.*, 730 F.2d 1440, 1448 (Fed. Cir. 1984); *Jones et al. v. Hardy*, 727 F.2d at 1534; *see also Baginsky v. United States*, 697 F.2d 1070, 1077 (Fed. Cir.), *cert. denied*, 464 U.S. 981 (1983).

[9] *Stratoflex, Inc. v. Aeroquip Corp., supra*, 713 F.2d 1530; *W.L. Gore & Associates, Inc. v. Garlock Inc., supra*, 721 F.2d 1540; *Rohm & Haas Co. v. Crystal Chemical Co., supra*, 722 F.2d 1556; *Raytheon Company v. Roper Corporation, supra*, 724 F.2d 951; *TP Laboratories, Inc. v. Professional Positioners, Inc. et al., supra*, 724 F.2d 965; *RCA Corp. v. Applied Digital Data Systems, Inc., supra*, 730 F.2d 1440; *Jones et al. v. Hardy, supra*, 727 F.2d 1524; *Amstar Corp. v. Envirotech Corp. et al., supra*, 730 F.2d 1476; *Simmons Fastener Corp. v. Illinois Tool Works, supra*, 739 F.2d 1573; *EWP Corp. et al. v. Reliance Universal Inc. et al., supra*, 755 F.2d 898; *Woods v. Tsuchiya, supra*, 754 F.2d 1571.

of Rule 52 or its standard of review, the Court remanded for further consideration in light of that rule.[10]

Panduit should have sensitized the Federal Circuit to this Court's concern about appellate fact finding, but it did not. Since January 1, 1988, the Federal Circuit has reviewed jury verdicts in approximately 38 cases involving patents. Of those, the court reversed the juries' findings, in whole or in part, at least 16 times, an astonishing 42% rate.[11]

At the Ninth Annual Judicial Conference of the Federal Circuit, Judge Cohn of the Eastern District of Michigan observed:

> My reading, though, of some of the decisions of the Circuit, suggests to me, when they would prefer a different result than that reached by the trial judge, they shift from his findings of fact and say, "Oh, no. This is a conclusion of law." And, to some extent, I am constrained to say that some of the decisions that I have read from this Circuit are result driven. (Applause.)

140 F.R.D. 57, 69 (May 9, 1991).

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[10] On remand, the Federal Circuit did apply Rule 52(a) in a 21 page opinion dissecting each of the trial court's findings and explaining why it was clearly erroneous. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir.), *cert. denied*, 481 US 1052 (1987). That that decision was not reviewed by this Court cannot be taken as acquiescence in improper fact-finding at the appellate level. Even those commentators who, because of the Federal Circuit's presumed expertise in the patent field, are prepared to countenance wider leeway to its fact-finding forays would do so only within the scope of that expertise. See, e.g., *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1, 61-61 (1989).

[11] These statistics are based on a Lexis search of patent appeals to the Federal Circuit in which the court reviewed a jury's verdict under the substantial evidence test. The cases are cited in Table I at p. 109a, which is a chart reflecting treatment of the juries' verdicts.

Later the same year, Judge Newman of the Federal Circuit castigated her colleagues for fact-finding on appeal in *Malta v. Schulmerich Carillons, Inc.*, 952 F.2d 1320, 1331-1346 (Fed. Cir. 1991):

> With all respect to my colleagues on this panel, their rejection of the jury verdict and *de novo* determination of the factual issue of infringement is contrary to the law governing appellate review of jury verdicts.

Id. at 1331.[12] She then cited 38 elements of evidence, plus extensive trial testimony, that the majority disregarded in overturning the jury's verdict of infringement. *Id.* at 1336-40.[13]

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[12] This was not the first instance after *Panduit* in which Judge Newman criticized her colleagues for improperly overturning a jury's verdict. In *Senmed, Inc. v. Richard-Allen Medical Indus.*, 888 F.2d 815, 821 (Fed. Cir. 1989), she stated:

> This appeal is from a jury verdict of infringement, yet it is difficult to find in the majority opinion any deference to the jury, or application of the standard by which jury verdicts are reviewed on appeal.

[13] *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 825 is another example of de novo fact-finding since *Panduit*. There, the court re-examined the factual determinations of the trial court in evaluating both the ultimate "fact" and the secondary considerations relating to obviousness. The trial might just as well have been before the appellate court, and the decision makes immediate the comment of one district judge:

> It gives me great comfort to know that I am just the first stop on this trip. Everything I have said here can be analyzed just as well by the Court of Appeals for the Federal Circuit.

Quoted in *Panduit Corp. v. Dennison Mfg. Co., supra*, 810 F.2d at 1565. That this statement could be made by a federal district judge shows just how far the fact-finding practices of the Federal Circuit have conditioned trial courts to expect to be second-guessed on the facts.

One recent commentator described the current situation thusly:

> [T]he CAFC has not only changed the Supreme Court's standard of obviousness, but has made itself a de novo reviewer of obviousness by giving itself the authority to review all facts related to the issue of obviousness in a case. In sum, the CAFC no longer uses the clearly erroneous standard, but instead appears to review the facts regarding obviousness whenever it disagrees with the trial court. The CAFC often rolls up its sleeves and reexamines all the facts of a case related to obviousness.

Note, *Nothing Seems "Obvious" to the Court of Appeals for the Federal Circuit: The Federal Circuit, Unchecked by the Supreme Court, Transforms the Standard of Obviousness Under the Patent Law*, 26 Loyola of L.A. Law Rev. 455, 481 (1993).

The instant case shows that, far from being discouraged by this Court's decision in *Panduit*, the Federal Circuit has taken fact finding at the appellate level to a new extreme.

II. This Case Represents a Most Egregious Case of Improper Fact Finding at the Appellate Level

This case was presented to a jury for more than five months. Some 15,000 pages of testimony from more than fifty witnesses and almost 1,000 documents were introduced into evidence. The jury deliberated for six weeks before rendering its verdict on numerous and complex issues of patent validity, infringement and violations of the Lanham and Sherman Acts and Kansas unfair competition laws. The jury was quite discriminating in its verdicts, finding for Manildra on validity, infringement and the Lanham Act and state unfair competition claims and for Ogilvie on the Sherman Act and inequitable conduct before the Patent Office claims.

On appeal, the Federal Circuit overturned the verdicts under the Lanham Act and unfair competition law on the solitary ground that there was no more than a scintilla of evidence that Ogilvie told the trade that the Manildra was guilty of infringement.

Before considering the substance of that conclusion, it is important to note that the court was not considering a combined issue of fact and law related to the question of obviousness as in *Panduit* or the standards of evidence and argument required to show infringement by equivalence as in *Malta*. Here, we have a naked issue of fact not relevant to any issue of patent law. Unlike *Malta*, the district judge in this case endorsed the jury's verdict in its entirety. Finally, the court's fact-finding flies in the face of specific admissions made by the patentee in its motion for judgment as a matter of law and in other filings that it had told the customers that Manildra was infringing.

III. The Federal Circuit Improperly Made Factual Determinations Contrary to the Findings of the Jury and The Position of the Parties.

In the present case, the Federal Circuit *sua sponte* made a crucial finding of a specific fact that was contrary to the findings of the jury and district court who saw and heard the evidence through more than five months of trial. Ogilvie had admitted the truth of that specific fact on several occasions before the Federal Circuit made its own finding on the issue. By making this factual determination, the Federal Circuit in the fullest sense deprived Manildra of its constitutional right to a jury trial.

A. The Legal Standard for Establishing Facts on Appeal.

The Federal Circuit's fact-finding departed significantly from the precedent established by this Court. The "substantial evidence" standard for review of a jury's fact-finding is very strict:

> Courts are not free to reweigh the evidence and set aside the jury verdict merely because the jury could have drawn different inferences or conclusions or because judges feel that other results are more reasonable.
>
> * * *
>
> It is not the function of a court to search the record for conflicting circumstantial evidence in order to take the case away from the jury that the proof gives equal support to inconsistent and uncertain inferences. The focal point of judicial review is the reasonableness of the particular inference or conclusion drawn by the jury. It is the jury, not the court, which is the fact-finding body. It weighs the contradictory evidence and inferences, judges the credibility of the witnesses, receives expert instructions, and draws the ultimate conclusion as to the facts. The very essence of its function is to select from among conflicting inferences and conclusions that which it considers most reasonable....That conclusion, whether it relates to negligence, causation or any other factual matter, cannot be ignored.

Gallick v. B&O, 372 U.S. 108, 114, 115 (1963). *See also, Rogers v. MoPac*, 352 U.S. 500 (1956); *Schulz v. Penn. R.*, 350 U.S. 523 (1956); *Lavender v. Kurn*, 327 U.S. 645 (1946); *Tennant v. Peoria*, 321 U.S. 29 (1944).

B. There Was Substantial Evidence to Support a Finding By a Reasonable Jury that Ogilvie Told Customers that Manildra Was Infringing

Direct evidence that Ogilvie told customers that Manildra was infringing was contained in Ex. 715, as the Federal Circuit acknowledged:

> [A]fter examining the entire record on appeal, we have discovered only one document, referred to as [Ex.] 715, out of several thousand trial exhibits, that provides some evidence that Ogilvie without qualification stated that Manildra was infringing its patents. [Opinion, p. 17a].

In that trial exhibit, a purchasing agent for one of the three major users of the product, large particle wheat starch, stated, "Ogilvie has stated that their company holds all patent rights on use of starch in carbonless paper and Manildra infringes on this patent."

That statement was perfectly consistent with the admission made at trial by Ogilvie's vice president and general manager:

Q. You or your sales staff also have from time to time either in response to a question or on your own initiative told them that -- told certain customers that you thought Manildra was infringing those patents?

A. If they asked the question and would bring up the subject of Manildra, we would try and answer those questions as honestly as we knew how.

Q. All right. And on those occasions, you did tell them that Manildra -- you thought Manildra was infringing the patent?

A. I-- I may have. [Tr. 8040-1, p. 86a.]

It must be assumed that the jury found that testimony credible. *Taylor v. Mississippi*, 319 U.S. 583, 585-86 (1943). In addition to this direct evidence that Ogilvie told the trade that Manildra was infringing, the was extensive evidence from which a reasonable

juror could properly infer that fact. The following sections describe some of that evidence:

1. Statements to Purchaser Moore Paper Co.

In March 1985, less than two months after Ogilvie purchased the patents from the previous owner, its director of sales, Calott, met with its customer, Moore Business Forms. He told them he knew Moore was using limited quantities of Manildra's product. Calott said that Manildra had no license, but it would not be "cost effective" to bring an infringement suit. Tr. 3714-18, pp. 61a-64a. Seven days later, Calott wrote Moore that Ogilvie had acquired "all the patents in this area," and a third company, Midwest, was its only licensee. Ex. 684, p. 88a. The jury reasonably interpreted that evidence to mean that Ogilvie told Moore that Manildra was an infringer but that suit would not be brought unless Moore increased Manildra's small share and thereby made suit "cost effective."

In late January 1986, Calott reminded Moore that Midwest was the only licensee under the patents. Ex. 697, p. 89a. Two weeks later, Moore notified him that Manildra had lowered its price, and Calott responded that Manildra was not "a legitimate competitive situation." Id. Calott testified he meant that Ogilvie's having "a patent license makes us more legitimate." Tr. 2168, p. 59a. On hearing that news, Moore's purchasing agent immediately faxed Calott's earlier (March, 1985) letter regarding the patents to Moore's legal department. Ex. 684, p. 88a. Moore decided at that time to restrict purchases from Manildra. Tr. 3722, p. 64a. The jury could reasonably take that evidence as showing that Ogilvie had successfully curbed Moore's purchases from Manildra by raising the possibility of litigation if suit became "cost effective."

In August 1986, Calott met with Moore's buyer, Keller, who again reminded him of Manildra's much lower price. Calott made no defense of Ogilvie's price on commercial terms, but launched immediately into Ogilvie's "litany." Ex. 713, p. 91a. Keller's response (as recorded by Calott himself) leaves no doubt that the "litany" referred to Ogilvie's patent infringement claim: "Manildra has given them a hold harmless letter regarding any possible violations of patents." Id. Calott testified:

> Q. Can you tell us what your litany on your position in the LGS field consisted of?
>
> A. Well, we, of course, purchased the business and the patents and so forth from Staley [sic]. * * * That cost us money. We have to get our money back. Therefore, we maintain our price because we feel that we have an investment in the business. Consequently, its as simple as that, that's why were [sic] a leader.
>
> Q. Related to the patents?
>
> A. Related to purchasing the patents. And we try to maintain our leadership by salesmanship and service. [Tr. 2173-4, p. 59a-60a.]

Then, *only three weeks later*, Keller wrote his memo, Ex.715 (p. 94a), advising his superior that Ogilvie was claiming infringement and, to avoid the risk of litigation, Moore was going to limit its purchases from Manildra severely. It required no leap of faith, indeed it was entirely reasonable, for the jury and the district court to conclude that the "litany" was exactly as Keller described: Ogilvie's renewed charges of infringement.

The jury also heard evidence from the field: Only a month after the "litany" meeting, the purchasing agents at Moore's Fremont plant told Manildra that they had to take on Ogilvie "because of the so-called patent position involved." Ex. 714, p. 93a. Despite the efforts of the Fremont plant to take advantage of Manildra's lower

price (Ex. 747, p. 96a), they were restricted due to the "legal ramifications." Ex. 752, p. 97a. Manildra continued to be shut out of the new business, even though Ogilvie's price was higher and Moore found serious quality problems with its product. Ex. 775, p. 98a.

This evidence showed that Ogilvie habitually raised the patent issues with Moore (March 1985, January, February and August 1986), that those discussions included the possibility of infringement litigation, and that Moore responded by restricting Manildra's sales despite its lower price and higher quality. Against that background, Ex. 715 represented far more than a scintilla of evidence.[14]

Seldom in any trial will an accused wrongdoer directly and unqualifiedly admit the alleged wrong.[15] That is what the jurors

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[14] Appleton and Mead were the other principal buyers of the product. Appleton never made any commercial purchases from Manildra because the general manager of Henkel (the company from whom Ogilvie purchased the patents and the business of selling the accused product in 1985) had threatened Appleton with an infringement suit and had accused Manildra of infringement in the early 1980s. When Ogilvie bought the business, it hired the same individual as its own general manager. Thereafter, Appleton told Manildra that "nothing had changed" and the reasons for Appleton's original decision still applied.

Unlike Appleton, Mead did buy some product from Manildra. Mead was subjected to the same "litany" before Ogilvie bought the business in 1985. The Henkel sales call reports make clear that the litany, when first delivered to Mead by senior officials of Henkel in 1983, included a threat that "an infringing manufacturer's customer" could be drawn into suit. After Ogilvie purchased the business, it retained those very officials, who continued to call upon Mead, reminding them that "the patents had not run out."

[15] Ogilvie's general manager virtually did in this case by admitting that he "may" have told customers Manildra was an infringer. Certainly, a reasonable juror can take "may" to mean "did" when he hears it from the mouth of the general manager of a defendant from whom the plaintiff is seeking several million dollars.

are for -- to draw reasonable inferences from the available evidence. In this case, however, the Federal Circuit improperly assigned itself that task and drew the opposite inference from the evidence.

2. The Hancock Evidence

The jury was also entitled to consider and rely on the opinions of Manildra's expert economist, John Hancock. Hancock testified unequivocally that, from an economic point of view, the sole explanation for the fact that Manildra could capture only a small share of the market was Ogilvie's charges of infringement and the implicit threat to customers of involvement in expensive litigation. Tr. 4436-38, 4476-85, 4490-93, 4501-2, 4513-14, 4516-22, pp. 65a-84a.

C. Given Ogilvie's Admission, the Federal Circuit Should Not Have Examined the Sufficiency of Evidence on this Issue.

Throughout the proceedings, Ogilvie never denied that it had told customers that Manildra was an infringer; it rested its entire defense on its contention that it had acted in good faith. For example, in its oral motion for a directed verdict, Ogilvie's counsel stated:

> [I]n the absence of bad faith, the patent holder has the unconditional right to assert or threaten litigation. Therefore, *in this case the question is not whether Ogilvie asserted or even threatened to enforce its patent rights*, the

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Furthermore, only the jury, not the Federal Circuit, could begin to evaluate his demeanor and responses when he testified.

> question is whether it acted in good faith.... [Tr. 7267, p. 84a, emphasis added.]

He then pointed to testimony that Ogilvie told customers that it "stood ready to enforce its rights;" it had "valid patents and would protect them as we see fit," those patents covered "use and process" on large granule wheat starch and Manildra was not licensed. Those and other comments vividly catalogued Ogilvie's policy of aggressively asserting its patent rights. Tr. 7267-69, pp. 84a-85a. *Nowhere* in that motion did Ogilvie suggest that there was insufficient evidence that it had told the trade that Manildra was an infringer.

After the jury's verdict, Ogilvie moved for Judgment as a Matter of Law, asserting its good faith but admitting that it told customers that Manildra was infringing its patents:

> As discussed elsewhere in this memorandum, the only possible conclusion that could be drawn from the evidence was that the Ogilvie salesmen had a good faith belief that the patents were valid and infringed by Manildra *and so stated to customers*. [Memorandum, p. 47, p. 102a, emphasis added.]

The trial judge denied Ogilvie's motion and its motion for a new trial, noting that substantial evidence supported the jury's verdicts under the Lanham Act and Kansas unfair competition law, including the jury's findings that Ogilvie acted in bad faith and with malice.

Even on appeal, Ogilvie continued to argue that it had acted in good faith, and it never denied that it had told customers that Manildra was infringing:

> Here, Manildra claims that Ogilvie misrepresented that the Patents were valid and infringed. Yet, Ogilvie had a right to say just that. There was no adjudication to the contrary. The law presumes such statements are made in good faith. [Brief, p. 53, p. 104a-105a.]

> The state tort claims should not have gone to the jury because Manildra did not show by clear and convincing evidence that Ogilvie acted in bad faith in stating its belief in the Patents' validity and in Manildra's infringement. [Reply Brief, p. 29, p. 107a.]

The Federal Circuit itself has held that:

> the printed record on appeal more often than not will not reflect all the persuasive issues that may have determined the course of events at trial, even when that record is reviewed in its entirety by the appellate court.

Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850, 860, (Fed. Cir. 1991). For that reason, the Federal Circuit has adopted a rule precluding review of the sufficiency of evidence "absent some post-verdict disposition" by the trial judge. Id. at 946 F.2d 862.

The rule should have applied here, where Ogilvie failed to raise the evidentiary issue in its post-verdict motions. *See Walters v. City of Atlanta*, 803 F.2d 1135, 1146 (11th Cir. 1986) ("To preserve such a [lack of sufficient evidence] claim for appeal, a party must squarely present it to the trial court...."). The court's examination of the sufficiency of evidence in this case, where the appellant in its post-verdict motion *admitted the existence of the requisite evidence*, was directly contrary to the Federal Circuit's own *Biodex* rule and the teaching of *Cone v. West Va. Pulp & P. Co.*, 330 U.S. 212, 216 (1947):

> Determination of whether a new trial should be granted or a judgment entered under Rule 50(b) calls for the judgment in the first instance of the judge who saw and heard the witnesses and has the feel of the case which no appellate printed transcript can impart.

Ogilvie's admissions about what it told the customers concerning infringement is the best possible evidence that the jury's finding of fact was reasonable. Certainly if, as the Federal Circuit concluded,

there was only a "mere scintilla" of evidence to support the jury's finding, Ogilvie's lawyers would not have conceded the point both during the trial and in their post-trial papers. In short, there can be no doubt that there was substantial evidence to support a finding by a reasonable juror that Ogilvie warned the trade that Manildra was infringing its patents.

IV. Conclusion

The Federal Circuit has demonstrated that, absent corrective action by this Court, it will consider itself free to conduct expansive fact-finding on appeal. It is willing to extend this practice far beyond any arguable scope of its patent expertise, even to naked questions of fact totally unrelated to patent issues. To preserve the Seventh Amendment rights of litigants whose cases come before the Federal Circuit, this Court should act again to give supervision and direction to that court. As in *Panduit*, summary procedure would permit this Court to preserve the established rights to trial by jury without requiring briefs and oral argument.

Respectfully submitted,

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APPENDIX

NOTE: Pursuant to Fed. Cir. R. 47.8, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

92-1462,-1480

MANILDRA MILLING CORPORATION,

Plaintiff/Cross-Appellant,

v.

OGILVIE MILLS, INC.,

Defendant-Appellant,

v.

HENKEL CORPORATION and HENKEL OF AMERICA, INC.,

Third-Party Defendants,

and

JOHN THOMAS HONAN,

Counterclaim Defendant.

DECIDED: June 22, 1993

Before RICH, MICHEL and CLEVENGER, Circuit Judges.

CLEVENGER, Circuit Judge.

Ogilvie Mills, Inc. (Ogilvie) appeals from the June 15, 1992 judgment of the United States District Court for the District of Kansas,[1] entered on the basis of a jury verdict, holding, inter alia, claims 1-3, 8-10, 16-19 and 24-27 of U.S. Patent No. 3,901,725 and claims 1, 6-10 and 12-14 of U.S. Patent No. 4,280,718 invalid and not infringed by Manildra Milling Corporation (Manildra), and Ogilvie liable under section 43(a) of the Lanham Act and the Kansas state law causes of action for tortious interference with prospective economic advantage and injurious falsehood. We affirm-in-part, reverse-in-part, vacate-in-part and remand.

I

U.S. Patent No. 4,280,718 ('718 patent), entitled "Pressure Sensitive Recording Sheet Containing Size Classified Cereal Starch Granules," issued on July 28, 1981 to Johnson et al., who assigned their rights to Henkel Corporation (Henkel). It is directed to the use of fractionated large granule wheat starch (LGWS) as a stilting material in carbonless copy paper (CCP)[2] to prevent premature

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[1] Manildra Milling Corp. v. Ogilvie Mills, Inc., No. 86-2457-S (D. Kan. Feb. 27, 1992) (Judgment); (June 15, 1992) (amended Judgment); 797 F. Supp. 874 (D. Kan. 1992) (memorandum and order disposing of various post-trial motions); (June 16, 1992) (order).

[2] CCP functions by forming an image on the lower sheet of CCP when pressure on the upper sheet breaks easily rupturable dye microcapsules on the backside of the upper sheet, causing the dye to contact and darken a chemical on the upper surface of the lower

rupture of fragile dye microcapsules through casual contact with the layered paper.

U.S. Patent No. 3,901,725 ('725 patent), entitled "Size Classified Cereal Starch Granules," issued on August 26, 1975 to Bond et al., who assigned their rights to A. E. Staley Manufacturing Company (Staley). Henkel purchased Staley's rights in the '725 patent in November 1978. It is directed both to the process for producing LGWS from a clean starch feed through hydroclassification,[3] and to the LGWS itself.

Both patents at issue in this case originate from, and trace their prosecution histories to, the same parent patent application, No. 180,588, filed by Staley in September 1971, and are each the result of a restriction requirement made in the original application by the Patent Office. Ogilvie, a subsidiary of Ogilvie Mills, Ltd. and a legal entity unaffiliated with Henkel, was incorporated in January 1985 and immediately acquired all rights in both the '718 and '725 patents through an arms-length transaction with Henkel.

In October 1986, Manildra filed a declaratory judgment action seeking a declaration that Ogilvie's patents were invalid and not infringed. Manildra also asserted a claim for damages against both Ogilvie and Henkel,[4] respectively the present and prior owners

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sheet.

[3] Simply stated, the patented process comprises, inter alia, the steps of feeding a clean starch slurry to a first hydrocyclone; feeding the resulting bottoms stream of partially classified LGWS to a second hydrocyclone; and producing LGWS meeting certain specifications as a bottoms stream from the second hydrocyclone.

[4] Manildra settled with Henkel in January 1991, before the trial phase of the suit commenced.

of the patents, for violation of the federal antitrust laws, unfair competition under section 43(a) of the Lanham Act, and both tortious interference with prospective economic advantage and injurious falsehood under Kansas law. Ogilvie counterclaimed for willful infringement against both Manildra and its owner, Honan.

After a lengthy trial,[5] the jury found by special verdict, inter alia, that (i) the patent claims in suit were invalid; (ii) the patent claims were not infringed, either literally or under the doctrine of equivalents; (iii) Ogilvie had not violated the federal antitrust laws; and (iv) Ogilvie had not misused its patents; but (v) Ogilvie was liable to Manildra (1) under section 43(a) of the Lanham Act; and (2) for both tortious interference with prospective economic advantage and injurious falsehood. In accordance with its verdict, the jury awarded Manildra $2,250,000 in actual damages and $2,500,000 in punitive damages.

The court subsequently denied Ogilvie's post-trial motions for judgment as a matter of law (JMOL) on all adversely-decided issues, for a new trial on those same issues, and for remittitur of the damages. The court also denied Ogilvie's request for a ruling on its motion to correct inventorship under 35 U.S.C. § 256 (1988) and Manildra's motions, inter alia, for a new trial on the antitrust claim and enhanced damages. The court, however, granted Manildra's motion for reasonable attorney fees, having found that the case was "exceptional" under either 35 U.S.C. § 285 (1988) or 15 U.S.C. § 1117(a) (1988). Ogilvie appeals from the district court's denials

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[5] The first trial to a jury resulted in a mistrial. The second jury trial resulted in the present appeal.

of its post-trial motions and Manildra cross-appeals from the denial of its motion for a new trial on its antitrust claim.[6]

II

In order to overturn a judgment entered on the basis of a jury verdict, the party against whom the judgment was rendered must demonstrate either that "the jury's findings [on disputed material factual issues], presumed or express, are not supported by substantial evidence, . . . [or] if they [are so supported], that the legal conclusion(s) implied from the jury's verdict cannot in law be supported by those findings." Read Corp. v. Portec, Inc., 970 F.2d 816, 821, 23 USPQ2d 1426, 1431 (Fed. Cir. 1992); Verdegaal Bros., Inc. v. Union Oil Co., 814 F.2d 628, 631, 2 USPQ2d 1051, 1052 (Fed. Cir.), cert. denied, 484 U.S. 827 (1987). Rather than directly reviewing the jury's verdict, we instead review the trial court's denial of a renewed motion for JMOL under Rule 50(b) of the Federal Rules of Civil Procedure, and must decide

> for ourselves whether reasonable jurors viewing the evidence as a whole could have found the facts needed to support the verdict in light of the applicable law. If we conclude that no reasonable findings of fact, supported by substantial evidence, could support the verdict that was incorporated into the trial court's judgment, then we must conclude that the trial court erred in not granting the motion for [JMOL].

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[6] Manildra's motion to strike certain portions of Ogilvie's reply brief on appeal is denied.

Lemelson v. General Mills Inc., 968 F.2d 1202, 1207, 23 USPQ2d 1284, 1288 (Fed. Cir. 1992), cert. denied, 113 S. Ct. 976 (1993). Substantial evidence is such relevant evidence, considering the record as a whole, on which a reasonable jury might base the verdict under review. Perkin-Elmer Corp. v. Computervision Corp., 732 F.2d 888, 893, 221 USPQ 669, 673 (Fed. Cir.), cert. denied, 469 U.S. 857 (1984). Substantial evidence, however, constitutes more than a "mere scintilla." Biodex Corp., v. Loredan Biomedical, Inc., 946 F.2d 850, 859, 20 USPQ2d 1252, 1259 (Fed. Cir. 1991)(quoting Consolidated Edison Co. v. National Labor Relations Bd., 305 U.S. 197, 229 (1938)), cert. denied, 112 S. Ct. 2957 (1992).

After full review of the record, we conclude that the district court erred in failing to grant Ogilvie's renewed notion for JMOL on the Lanham Act and state law tort claims, but that we cannot disturb the judgment on invalidity and noninfringement.

III

Ogilvie makes several arguments on appeal regarding the jury's findings of invalidity of both patents. Ogilvie argues that claims 24-27 of the '725 patent were not anticipated under 35 U.S.C. § 102 (1988) because the pertinent prior art reference, a paper published by Yamazaki, (i) lacked utility and did not demonstrate a reduction to practice of the disclosed subject matter; (ii) related to subject matter other than that defined in claims 24-27; and (iii) was not enabling to one of ordinary skill in the art.

Ogilvie also argues that Manildra failed to demonstrate that all claims at issue would have been obvious under 35 U.S.C. § 103 (1988) in light of the prior art proffered at trial. Ogilvie's various arguments include (i) the classified wheat sample produced at trial and testimony on prior efforts to classify wheat starch do not

constitute prior art for use in the obviousness analysis; (ii) Yamazaki's paper did not provide sufficient information for a person of ordinary skill in the art to discern a solution to the problem of classifying LGWS; (iii) in light of the testimony on the degree of skill corresponding to "ordinary skill in the art," (a) U.S. Patent No. 2,642,185 (Fontein)[7] would not have rendered the '718 and '725 patents' claims obvious because it does not disclose every limitation present in the claims and does not disclose an apparatus capable of producing LGWS satisfying the claims' range criteria; and (b) British Patent No. 1,252,858 (NCR)[8] would not have rendered the '718 claims obvious because, inter alia, the specification allegedly discourages any modification of natural starch for use in CCP.

Ogilvie also argues that 35 U.S.C. § 112 (1988) cannot provide a basis for sustaining the jury's verdict. Finally, Ogilvie argues that it is entitled to a new trial on validity of both patents because the trial court erroneously permitted Yamazaki's testimony on subject matter not explicitly contained within his written document.

In reviewing a jury's verdict concerning patent validity, we presume the jury made the proper findings to support its verdict. Shatterproof Glass Corp. v. Libbey-Owens Ford Co., 758 F.2d 613, 619, 225 USPQ 634, 637 (Fed. Cir.), cert. dismissed, 474 U.S. 976

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[7] Fontein discloses a method for refining and isolating starch granules below 7 microns in diameter. Two hydrocyclones are operated in series, with the overhead fine particle stream from the first hydrocyclone used as a feed stream for the second.

[8] NCR discloses use of large granule starch as a stilting material in CCP, and discusses various sources of starch for such use, including arrowroot and wheat.

(1985). The record before us and Ogilvie's arguments provide us with an insufficient basis on which to upset the jury's verdict on invalidity of all the claims in issue. Accordingly, the district court did not err in refusing to grant Ogilvie's renewed motion for JMOL on validity of the claims in issue. We also conclude that the district court did not abuse its discretion in refusing to grant a new trial on the issue of validity of the patent claims in issue. See Railroad Dynamics, Inc. v. A. Stucki Co., 727 F.2d 1506, 1512, 220 USPQ 929, 936 (Fed. Cir.)(reviewed district court's denial of motion for new trial for abuse of discretion), cert. denied, 469 U.S. 871 (1984).

IV

Determining whether a patent is infringed in a particular case requires a two-part analysis. First, the claims must be interpreted without regard to the accused manufacture or process in light of the specification, the prosecution history, the patent's other claims and, if necessary, extrinsic evidence such as expert testimony. Hormone Research Found., Inc. v. Genentech Inc., 904 F.2d 1558, 1562, 15 USPQ2d 1039, 1043 (Fed. Cir. 1990), cert. dismissed, 111 S. Ct. 1434 (1991). Claim interpretation is a question of law that this court reviews de novo. Key Mfg. Group, Inc. v. Microdot, Inc., 925 F.2d 1444, 1448, 17 USPQ2d 1806, 1809 (Fed. Cir. 1991). Second, the fact-finder must determine whether each properly interpreted claim "reads on" the accused structure or process to determine whether the accused matter incorporates each claim limitation, either literally or by its equivalent. Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc., 976 F.2d 1559, 1570, 24 USPQ2d 1321, 1330 (Fed. Cir. 1992). Such infringement determinations are questions of fact. SRI Int'l v. Matsushita Elec. Corp. of Am., 775 F.2d 1107,

1125, 227 USPQ 577, 589 (Fed. Cir. 1985)(in banc). Finally, it is not our function as an appellate court to substitute our judgment for that of the jury and determine for ourselves whether we would have concluded that the product infringes the claims, but rather whether there is sufficient evidence to support a jury verdict on the issue. Dana Corp. v. IPC Ltd. Partnership, 860 P.2d 415, 417, 8 USPQ2d 1692, 1694 (Fed. Cir. 1988), cert. denied, 490 U.S. 1067 (1989); Perkin-Elmer, 732 F.2d at 893, 221 USPQ at 673.

A

Regarding interpretation of the claims in issue, Ogilvie argues that the claim language "about 22% of the total number of granules . . . being at least 22 microns" should be read to encompass a product with 22% by number of granules having a diameter of at least 17 microns. Likewise, Ogilvie argues that the language "about 99% by weight of the granules are at least 12 microns in size" should be read to embrace LGWS with at least 95% by weight of granules having a diameter of at least 12 microns. Ogilvie supports its arguments by reasoning that because the standard size of the dye microcapsules to be protected by the stilting material has decreased in the CCP industry, as has the corresponding requisite size of the stilting material particles, the claim limitations setting forth the requisite size limitations should be adjusted accordingly. We find these arguments unpersuasive.

The claims of a patent delineate the metes and bounds of the patentee's right to exclude others from making, using or selling. Palumbo v. Don-Joy-Co., 762 F.2d 969, 974, 226 USPQ 5, 8 (Fed. Cir. 1985); 35 U.S.C. § 154 (1988). A familiar canon of claim construction is that while a patentee may be his own lexicographer, a word will be given its ordinary and accustomed meaning unless it appears that the inventor used it differently. ZMT Corp. v. Cardiac

Resuscitator Corp., 844 F.2d 1576, 1580, 6 USPQ2d 1557, 1560 (Fed. Cir. 1988). In this case, Ogilvie's patents do not claim a particle size that would require interpretation, such as "a granule of a size substantially larger than the size of the dye microcapsule to be protected." Instead, they specifically and unambiguously delineate numerical ranges of granule size and quanta. We thus interpret the claims exactly as they are written.

B

In order to infringe a patent claim literally, each and every limitation in the claim must actually be present in the accused structure or process. Hi-Life Prods., Inc. v. American Nat'l Water-Mattress Corp., 842 F.2d 323, 325, 6 USPQ2d 1132, 1133 (Fed. Cir. 1988). Failure to meet a single limitation is sufficient to negate an allegation of infringement of the claim. Laitram Corp. v. Rexnord, Inc., 939 F.2d 1533, 1535, 19 USPQ2d 1367, 1369 (Fed. Cir. 1991).

Ogilvie argues repeatedly that the evidence presented at trial demonstrates that Manildra's M-80 product has 97% by weight of particles greater than 12 microns in size and 22% by number greater than 20 microns in size, and therefore M-80 infringes the '718 and '725 patents. Ogilvie's literal infringement argument depends on its construction and interpretation of the claims in issue. Our rejection of Ogilvie's interpretations necessarily requires us to conclude that the claims as properly interpreted are not literally infringed. Moreover, although M-80 data were presented at trial that would have supported a finding of infringement of the claims' granule size and quanta limitations, there was also more than substantial evidence for the jury to have concluded otherwise, as it did.

Ogilvie also argues that Manildra's process[9] literally infringes claims 16-19 of the '725 patent because essentially all of the classification of the wheat starch occurring in Manildra's process occurs in the two hydrocyclones before the air classifier, and therefore the air classifier is simply superfluous and a bald subterfuge for avoiding infringement. Although there is evidence to the contrary, the evidence supporting the jury's verdict on this issue is substantial and therefore legally sufficient to prevent our disturbing the jury's findings of fact on this issue.

C

Ogilvie argues that even if the evidence does not demonstrate literal infringement, it "is absolutely evident" that Manildra's product infringes under the doctrine of equivalents because "the Manildra stilt is so nearly identical to the Patents' [numerical] limitations." Thus, according to Ogilvie, the district court erred in failing to grant its renewed motion for JMOL. While this argument is facially appealing since the evidence before the jury demonstrated that Manildra's product came close to satisfying the claims' numerical limitations, Ogilvie is precluded as a matter of law from prevailing on its contention.

Prosecution history estoppel is a policy-oriented limitation on the range of equivalents available to the patentee. Loctite Corp. v. Ultraseal, Ltd., 781 F.2d 861, 870, 228 USPQ 90, 96 (Fed. Cir. 1985). Prosecution history estoppel will not allow the patentee to extend the range of equivalents accorded the subject matter to that

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[9] Manildra's process for producing LGWS incorporates use of two hydrocyclones to "wash" the wheat starch feed and an air classifier which receives the washed starch stream, after drying, as feed and produces the LGWS product.

relinquished during patent prosecution. Id., 228 USPQ at 96. The range of equivalents available to the patentee is a question of law which we review de novo. Id., 228 USPQ at 96.

During prosecution of both the '718 and '725 patents, the applicants, inter alia, specifically represented to the Patent Office that size limitations were "critical to [the] utility" and therefore the patentability of the claimed subject matter. For example, during prosecution of the application that ultimately spawned the '718 patent, the applicants stated:

> Applicants urge [the] critical limit[ation] of [greater than] 22% of [greater than or equal to] 22 microns in size.
>
> * * *
>
> [T]he particle size range of the starch fraction used on the surface coated with rupturable micro-capsules is of critical importance to prevent premature rupturing of the micro-capsules during handling.

Ogilvie argues that because these limitations were not added to the claims as part of an amendment in response to a rejection, it cannot be prevented from expanding its right to exclude to encompass Manildra's product. It has long been held, however, that an estoppel is created merely by arguments submitted to obtain the patent, as well as traditionally by an applicant's conduct reactive to an examiner's rejection. E.g., Hughes Aircraft Co. v. United States, 717 F.2d 1351, 1362, 219 USPQ 473, 481 (Fed. Cir. 1983).

Having stressed the criticality of the substantive size and quanta limitations of the LGWS, Ogilvie cannot now escape the accompanying strictures on its right to exclude under 35 U.S.C. §§ 154, 271 (1988). Our review of the record and arguments presented on appeal convinces us that the jury verdict of non-infringement under the doctrine of equivalents cannot be disturbed.

Ogilvie likewise argues that Manildra's process infringes its patent under the doctrine of equivalents. After reviewing the record, however, we are convinced that there was substantial evidence before the jury to support a conclusion that the air classifier in fact plays an integral and important role in Manildra's production of LGWS, and therefore the jury's implicit finding that the accused process does not infringe under the doctrine of equivalents because the process achieves production of LGWS in a substantially different way.

D

In conclusion, and on the record before us, we are unable to find any basis on which to disturb the jury's verdict on infringement of the claims in issue of the '718 and '725 patents. As the district court stated in correctly denying Ogilvie's renewed motion for JMOL on infringement:

> [T]he court finds that much evidence was presented on this issue both supporting a finding of infringement and supporting a conclusion of non-infringement. The jury chose to believe the evidence supporting non-infringement. This court cannot say as a matter of law, considering all inferences in the favor of the nonmoving party, that Ogilvie was entitled to a judgment on the issue of infringement.

Manildra Milling Corp. v. Ogilvie Mills, Inc., 797 F. Supp. 874, 886 (D. Kan. 1992).

Since we conclude that we cannot upset the jury's verdict of noninfringement, we need not reach the issues of Manildra's alleged inducement to infringe or its alleged willful infringement, since both allegations rely on a predicate finding of actual infringement,

whether literal or by equivalents. See Water Technologies Corp. v. Calco, Ltd., 850 F.2d 660, 668 n.7, 7 USPQ2d 1097, 1103 n.7 (Fed. Cir.), cert. denied, 488 U.S. 968 (1988).

Finally, Ogilvie also appeals the trial court's denial of its motion for a new trial on infringement. Ogilvie makes a variety of evidentiary arguments in an attempt to demonstrate that the court abused its discretion in denying the motion. Those arguments only demonstrate that, with regard to infringement, there is some evidence to support Ogilvie's contention. Ogilvie, however, has failed to demonstrate that the district court abused its discretion in refusing to grant a new trial on infringement of the patent claims in issue.

V

There are three separate causes of action at issue under which Ogilvie was found liable: section 43(a) of the Lanham Act[10]

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[10] Section 43(a) of the Lanham Act reads:

Any person who, on or in connection with any goods . . ., uses in commerce any . . . false or misleading description of fact, or false or misleading representation of fact, which-

* * *

> (2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of . . . another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

and the Kansas law causes of action for tortious interference with prospective economic advantage[11] and injurious falsehood.[12] This

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15 U.S.C. § 1125(a)(1988)(emphasis added).

[11] Tortious interference with prospective economic advantage under Kansas law consists of the following elements: (i) existence of a business relationship or an expectancy with a probability of future economic benefit to the plaintiff; (ii) defendant's knowledge of the relationship or expectancy; (iii) that, except for the defendant's conduct, the plaintiff was reasonably certain to have continued the relationship or to have realized the expectancy; (iv) intentional misconduct by the defendant; and (v) damages suffered by the plaintiff as a direct or proximate cause of the defendant's misconduct. Reazin v. Blue Cross & Blue Shield, Inc., 899 F.2d 951, 977 (10th Cir.)(emphasis added), cert. denied, 497 U.S. 1005 (1990).

[12] Under Kansas law,

> [o]ne who publishes a false statement harmful to the interests of another is subject to liability for pecuniary loss resulting to the other if
>
> (a) he intends for publication of the statement to result in harm to interests of the other having a pecuniary value, or either recognizes or should recognize that it is likely to do so, and
>
> (b) he knows that the statement is false or acts in reckless disregard of its truth or falsity.

Bacchus Indus., Inc. v. Arvin Indus., Inc., 939 F.2d 887, 892-93 (10th Cir. 1991)(citing Restatement (Second) of Torts § 623A (1979)(emphasis added)).

court has jurisdiction to review both the Lanham Act and state law issues. See 28 U.S.C. §§ 1295(a)(1), 1338 (1988). Not having exclusive jurisdiction over these types of claims, however, we apply Tenth Circuit law to the Lanham Act claim, see, e.g., Jurgens v. McKasy, 927 F.2d 1552, 1564, 18 USPQ2d 1031, 1039 (Fed. Cir.), cert. denied, 112 S. Ct. 281 (1991), and Kansas law to the state tort actions. Again, the issue before us is whether the record includes evidence legally sufficient in quantum to support the jury's verdicts on each cause of action. For the purpose of reviewing the jury's verdicts in this case, we focus on the common thread of each of the causes of action--namely, that all three require either falsity, whether literal or simply deceptive or misleading,[13] or misconduct[14] ("wrongful" elements).

A basic premise of any cause of action is that the party on whom the burden of proof initially rests, typically the complainant, must establish a prima facie case by introducing evidence on each and every element of the cause of action. 29 Am. Jur. 2d Evidence §§ 123, 128-129 (1967). Failure to present evidence on even one necessary element is fatal to the complainant's case as a matter of law.

Manildra argues in this overly adversarial portion of the appeal that Ogilvie's patent "litany" constituted a series of misrepresentations to their mutual customers that Manildra was

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[13] See Charles E. McKenney & George F. Long, III, Federal Unfair Competition: Lanham Act § 43(a) § 6.03[2], at 6-14 to -15 (1991).

[14]Whether certain conduct is "misconduct" is determined by considering the factors listed in Restatement (Second) of Torts § 767 (1979). Reazin, 899 F.2d at 977 n.37; see also Turner v. Halliburton Co., 722 P.2d 1106, 1116-17 (Kan. 1986);

infringing the patents in suit and therefore the customers acted at their own risk in purchasing the infringing product. According to Manildra, this "litany" satisfies the "wrongful" elements and therefore provides a sufficient basis on which to find Ogilvie liable. Manildra's argument is premised on the alleged statements being false as a matter of fact because the jury found Manildra not to be infringing either patent:

> There was abundant evidence in the record that Ogilvie intentionally, knowingly and in bad faith made false claims that Manildra infringed the patents, and that those statements induced [the LGWS purchasers] to limit their purchases from Manildra.

At oral argument, Manildra also emphasized Ogilvie's alleged representations to its customers that its patents dominated the field of LGWS and thus any use of LGWS from an entity other than Ogilvie or its licensees would infringe and would embroil the infringer in litigation. Manildra argues that the reaction of their customers in refusing to buy from Manildra "simply because of the legal situation" confirms Manildra's view of the case.

Contrary to Manildra's position, however, is our conviction that the record in this case does not contain evidence sufficient to establish the critical "wrongful" elements. Moreover, the record fails to establish both the composition of the "litany" and how the "litany" renders Ogilvie liable under the state laws and the Lanham Act. In support of its argument, Manildra lists exhibit after exhibit which purportedly corroborate its position. Yet after examining the entire record on appeal, we have discovered only one document, referred to as P715, out of several thousand trial exhibits, that provides some evidence that Ogilvie without qualification stated that Manildra was infringing its patents. Moreover, this single document is not a direct communication between Ogilvie and one of

its customers, but rather is an internal customer memorandum between two of the customer's employees regarding future LGWS purchases and a future expansion of business, in which context the memorandum summarizes Ogilvie's statements. The other exhibits simply do not support the proposition for which they are cited. Furthermore, out of over fifteen thousand pages of transcript, no testimony directly bears on Ogilvie's falsity/misconduct.[15]

This court has also discovered no evidence, and was not directed to any by the parties, that supports Manildra's "domination" argument. As conceded by Manildra, we cannot consider Henkel's conduct and statements in this regard. In fact,

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[15] Manildra concedes that Henkel's past conduct and statements regarding Manildra's infringement should not be taken into account as direct evidence of the "wrongful" elements in determining the substantial evidence issue regarding Ogilvie's liability. Manildra argues, however, that the evidence of Henkel's conduct can be used to infer Ogilvie's conduct because Ogilvie continued to employ some of Henkel's salespersons who had, while in Henkel's employ, represented Manildra's conduct as infringing. The actual evidence, however, demonstrates that these particular persons, when in Ogilvie's employ, were careful not to mislead their customers with false statements. Since Henkel and Ogilvie are unaffiliated legal entities, there is no justification for attributing Henkel's actions to Ogilvie absent some evidence of an adoption of Henkel's policies. Since the record lacks any such evidence, Manildra's position is untenable. Moreover, the jury was instructed that Henkel's conduct, occurring before Ogilvie's creation, could not be considered in determining whether Manildra had carried its burden of proof in demonstrating all the elements of its state law and Lanham Act claims. This instruction is not challenged by the parties on appeal.

once the evidence of Henkel's conduct is excised from this appeal, Manildra's whole case on the Lanham Act and state law tort claims disintegrates.

At oral argument, Manildra was exhorted to underscore the evidence on which it based its allegations and on which a reasonable jury could have based its verdict. Manildra could only respond with the documents already examined by this court and rely on "inferences" that "have to [be drawn]" by this court.

Since substantial evidence requires more than a "mere scintilla" of evidence, Biodex Corp., 946 F.2d at 859, 20 USPQ2d at 1259, we conclude on this record that a reasonable jury could not have found Ogilvie liable to Manildra under the Lanham Act and the state law causes of action because the evidence on the "wrongful" elements of those claims constitutes at most a "mere scintilla."

Since we conclude that the record fails to establish conduct on Ogilvie's part that would qualify for liability under the Lanham Act, we need not decide whether the Lanham Act should even come into play in the situation where a patentee is publicizing the presumed validity of its patents and belief in a competitor's infringement thereof. See, e.g., Tubeco, Inc. v. Crippen Pipe Fabrication Corp., 402 F. Supp. 838, 847, 187 USPQ 746, 752 (E.D.N.Y. 1975)(communications to customers and prospective licensees regarding patent are "in no sense the false advertising at which the Lanham Act was aimed."), aff'd, 538 F.2d 314 (2d Cir. 1976)(table); cf. Lang v. Pacific Marine & Supply Co., 703 F. Supp. 1404, 1411, 10 USPQ2d 1058, 1063 (D. Haw. 1989)(section 43(a) is intended to reach false advertising violations, not false patent claims), aff'd, 895 F.2d 761, 13 USPQ2d 1820 (Fed. Cir. 1990); compare with Brandt Consol., Inc. v. Agrimar Corp., 801 F. Supp. 164, 174, 24 USPQ2d 1341, 1348-49 (C.D. Ill. 1992) (citing Chromium Indus., Inc. v. Mirror Polishing & Plating Co., 448 F. Supp. 544, 555, 199 USPQ 146, 159 (N.D. Ill. 1978)(false

statements that competitor infringes a patent states a section 43(a) violation)).

Likewise, we also have no reason to address Ogilvie's argument that it is shielded from liability as a matter of law because it is entitled under the federal patent laws to assert both the validity of its patents and Manildra's infringement. We thus leave for another day resolution of any existing tension between, and the accompanying limitations on, the right of a patentee under the federal patent laws to announce a competitor's suspected infringement of its patents to the marketplace and the states' laws of "unfair competition." See, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 152 (1989)(an entity cannot be liable under state law for conduct that is permitted by federal law); Loctite Corp., 781 F.2d at 877, 228 USPQ at 100-01 (following Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 202 USPQ 342 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980))(patentee must be able to engage in legitimate enforcement efforts to protect its rights in the face of potential infringement).

At this time, we also need not address the influence of the First Amendment's protection of freedom of speech in the commercial context and the role of a competitor's qualified privilege on any existing tension between federal and state laws. See Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc., 425 U.S. 748, 765 (1976)(dissemination and free flow of commercial information in free enterprise economy is indispensable).

VI

Because we conclude that the record does not support Ogilvie's alleged violation of section 43(a) of the Lanham Act and therefore reverse the judgment on this ground, we also reverse the

district court's award of attorney fees based on 15 U.S.C. § 1117(a). To the extent that the case was found "exceptional" under 35 U.S.C. § 285, however, we vacate the determination and remand for reconsideration of the issue in light of this opinion.

VII

The district court denied Ogilvie's motion to correct inventorship on the '718 and '725 patents, and U.S. Patent No. 3,951,948 ('948 patent) not otherwise at issue in this case. Ogilvie argues that the district court abused its discretion in denying its motion after finding that the error in failing to name all of the inventors in each patent resulted from inadvertent oversight without any deceptive intention, as required by 35 U.S.C. § 256. Manildra Milling Corp. v. Ogilvie Mills, Inc., 745 F. Supp. 653, 655, 19 USPQ2d 1186, 1187-89 (D. Kan. 1990)(ruling on motion deferred until after trial); Manildra Milling, 797 F. Supp. at 889-90. As to the claims-in-issue of the '718 and '725 patents, the district court denied Ogilvie's motion as moot since the claims had been held invalid. Ogilvie has not demonstrated that this action constituted an abuse of the court's discretion in this matter. The district court, however, did not otherwise explicitly address Ogilvie's motion. Thus, on remand, Ogilvie will have the opportunity to renew its motion to correct inventorship under section 256 as to the remaining, unadjudicated claims of the '718 and '725 patents as well as to the '948 patent.

VIII

Manildra cross-appeals the trial court's denial of its motion for a new trial on its antitrust claims. Manildra argues that the court incorrectly instructed the jury on the "double hurdle" nature

of an antitrust claim and on how the evidence of Henkel's past conduct could be used. Having reviewed the arguments, we find that the court did not abuse its discretion in denying a new trial on this issue.

IX

For the foregoing reasons, the judgment of the United States District Court for the District of Kansas based on the jury verdict of invalidity and noninfringement is affirmed; the judgment on the Lanham Act and state law claims for tortious interference and injurious falsehood, and the accompanying award of compensatory and punitive damages, are reversed; and the award of attorney fees is vacated for reconsideration.

Each party is to bear its own costs.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

92-1462,-1480

MANILDRA MILLING CORPORATION,

Plaintiff/Cross-Appellant,

v.

OGILVIE MILLS, INC.,

Defendant-Appellant,

v.

HENKEL CORPORATION and
HENKEL OF AMERICA, INC.,

Third-Party Defendants,

and

JOHN THOMAS HONAN,

Counterclaim Defendant.

ON PETITION FOR REHEARING

Before RICH, MICHEL and CLEVENGER, Circuit Judges.

CLEVENGER, Circuit Judge.

ORDER

ORDER

A suggestion for rehearing in banc having been filed by the APPELLANT,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

FOR THE COURT,
FRANCIS X. GINDHART, CLERK

Dated: October 5, 1993

By /s/
Diane M. Frye
Chief Deputy Clerk

cc: BYRON L. GREGORY
MURRAY J. BELMAN

MANILDRA MILLING V. OGILVIE, 92-1462
(DCT - 86-2457-S)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public order.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

92-1462,-1480

MANILDRA MILLING CORPORATION,

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HENKEL CORPORATION and
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and

JOHN THOMAS HONAN,

Counterclaim Defendant.

ON PETITION FOR REHEARING

Before RICH, MICHEL and CLEVENGER, Circuit Judges.

CLEVENGER, Circuit Judge.

ORDER

Both Manildra Milling Corporation (Manildra) and Ogilvie Mills, Inc. (Ogilvie) petition for rehearing of the appeal, decided on

June 22, 1993 by the Court's opinion and judgment. The Court having considered the petitions,

IT IS ORDERED THAT:

Ogilvie's petition is denied. Manildra's petition is granted solely for the purpose of revising the Court's opinion as hereinafter provided:

p. 4, ln. 6: Delete "patents", and insert -- '718 patent--;

p. 19, ln. 19: Delete the sentence "The actual evidence . . . their customers with false statements.".

FOR THE COURT

September 20, 1993
Date

/s/
Raymond C. Clevenger, III
Circuit Judge

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF KANSAS

MANILDRA MILLING CORPORATION,	)	
	)	
Plaintiff and	)	
Counterclaim Defendant,	)	
	)	
v.	)	CIVIL ACTION
	)	
OGILVIE MILLS, INC.,	)	Case No. 86-2457-S
	)	
Defendant,	)	
Third-Party Plaintiff,	)	
and Counterclaimant,	)	
	)	
v.	)	
	)	
HENKEL CORPORATION,	)	
HENKEL OF AMERICA, INC.,	)	
	)	
Defendants, and	)	
Third-Party Defendants,	)	
	)	
and	)	
	)	
JOHN THOMAS HONAN,	)	
	)	
Counterclaim Defendant.	)	
	)	

MEMORANDUM AND ORDER

This matter is before the court pursuant to numerous post trial motions in the above-captioned case.[1]

This action involves a longstanding dispute between the plaintiff and counterclaim defendant Manildra Milling Corporation ("Manildra") and the defendant, counterclaimant and third-party plaintiff Ogilvie Mills, Inc. ("Ogilvie") regarding the validity of various claims of two patents issued by the Patent and Trademark Office. The patent claims-in-issue cover the manufacture and sale of large-granule wheat starch, a product used in the manufacture of carbonless copy paper. Large-granule wheat starch is uniquely suited for use as a coating or stilt material which protects ink-containing microcapsules from prematurely rupturing and smudging the surface of carbonless copy paper. Since the filing of the patents-in-suit, large-granule wheat starch has become the primary stilt material for carbonless copy paper. There are only three producers of large-granule wheat starch in the entire United States. Two of the producers are parties involved in this lawsuit. The third producer, Midwest Grains, Inc. ("Midwest Grains") sells large-granule wheat starch pursuant to a license agreement entered into between itself and Ogilvie's predecessor patent owner, the Henkel Corporation ("Henkel").

In this action, Manildra sought a declaration that Ogilvie's patents were not valid or enforceable and that Manildra had not infringed two patents which are owned by Ogilvie. Manildra further sought recovery for injuries which it claimed were caused by

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[1] The court finds that oral argument will not materially aid the court in the disposition of the motions currently pending before the court. Accordingly, the court denies Ogilvie Mills, Inc.'s request for oral argument (Doc. 1154). D. Kan. 206(d).

activities related to the ownership of the patents. These claims included both federal and pendent state tort claims. Specifically, Manildra contended that Ogilvie had violated federal antitrust laws, the Lanham Act, 15 U.S.C. § 1125, which forbids false descriptions in the sale of goods in interstate commerce, and state law which forbids unfair competition and tortious interference with prospective economic advantage. Ogilvie filed a counterclaim seeking to recover damages from Manildra and its principal shareholder, John Thomas Honan ("Honan"), for infringement of the two patents.

Beginning on August 26, 1991, and continuing until February 26, 1992, the claims between Manildra and Ogilvie were tried to a jury. On January 15, 1992, the case was submitted to the jury and on February 26, 1992, after approximately six weeks of deliberations, the jury returned a verdict in favor of Manildra on its claims that the patent claims-in-issue were invalid and that Manildra had not infringed these claims. The jury also returned a verdict in favor of Manildra on its claims under the Lanham Act, and its state claims for tortious interference with prospective economic advantage and for injurious falsehood.

Ogilvie now moves for judgment as a matter of law, for a new trial, and for remittitur. Manildra moves the court for a new trial on its antitrust claims, and for increased damages and attorneys' fees under both the Lanham Act and patent laws. Both parties move to amend the judgment, and for Rule 54(b) certification so that this matter may be appealed. Also before the court is Ogilvie's request for a ruling on its motion to correct inventorship, and two outstanding motions by Manildra and Ogilvie for sanctions.

In reviewing a motion for judgment as a matter of law, the district court may grant the motion only if the facts and inferences in the case point so strongly and overwhelmingly in favor of one party that the court should find that reasonable persons could not

arrive at a contrary verdict. Downie v. Abex Corp., 741 F.2d 1235, 1238 (10th Cir. 1984).[2] That is, the question is not whether there exists no evidence supporting the party against whom the motion is directed, but whether there is any evidence upon which the jury could properly find a verdict for that party. K-B Trucking Co. v. Riss Int'l. Corp., 763 F.2d 1148, 1163 (10th Cir. 1985). Furthermore, in considering the motion, the trial judge must consider all the evidence and the reasonable inferences derived therefrom in the light most favorable to the party against whom the motion is directed. Downie, 741 F.2d at 1238. In considering a motion for judgment as a matter of law, the court presumes that the jury resolved the underlying factual disputes in favor of the verdict winner; these presumed findings remain undisturbed if they are supported by substantial evidence. Jurgens v. McKasy, 927 F.2d 1552, 1557 (Fed. Cir.), cert. denied, 112 S. Ct. 281 (1991)(citing Perkin-Elmer Corp. v. Computervision Corp., 732 F.2d 888, 893 (Fed. Cir.), cert. denied, 469 U.S. 857 (1984)).

With regard to motions for a new trial, "[generally, motions for a new trial are committed to the discretion of the district court." McDonough Power Equip., Inc. v. Greenwood, 464 U.S. 548, 556 (1984). In reviewing a motion for new trial, the court should

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[2] Although this action will be appealed to the Federal Circuit Court of Appeals, procedural issues not unique to the patent laws, i.e., such as the standard for granting or denying a motion for judgment as a matter of law, require the application of the regional Circuit's law. See Wahpeton Canvas Co., Inc. Frontier, Inc., 870 F.2d 1546, 1552 n. 8 (Fed. Cir. 1989); Sjolund v. Musland, 847 F.2d 1573, 1576 (Fed. Cir. 1988) (citation omitted). Accordingly, the court will apply Tenth Circuit law in determining whether Ogilvie's motion for judgment as a matter of law should be granted or denied.

"exercise judgment in preference to the automatic reversal for error, and ignore errors that do not affect the essential fairness of the trial." McDonough Power Equip., Inc., 464 U.S. at 553. "[T]he party seeking to set aside a jury verdict must demonstrate trial errors which constitute prejudicial error or that the verdict is not based on substantial evidence." White v. Conoco, Inc., 710 F.2d 1442, 1443 (10th Cir. 1983). The alleged trial court errors must be prejudicial and clearly erroneous, rather than harmless. Also, no error in the admission or exclusion of evidence, and no error in any ruling or order of the trial court or anything done or omitted by the court, can be grounds for granting a new trial unless the error or defect affects the substantial rights of the parties. Fed. R. Civ. P. 61; Rasmussen Drilling, Inc. v. Kerr-McGee Nuclear Corp., 571 F.2d 1144, 1148-49 (10th Cir.), cert. denied, 439 U.S. 862 (1978). Trials must be fair, not perfect. McDonough Power Equip., Inc., 464 U.S. at 553; Devices for Medicine, Inc. v. Boehl, 822 F.2d 1062, 1066 (Fed. Cir. 1987).

I. Ogilvie's Post Trial Motions

A. Motion for a New Trial

The court will first address Ogilvie's post trial motions. As an initial matter, the court finds no merit in the arguments asserted by Ogilvie in its motion for a new trial. During the six months of trial an adequate record was established for the court's evidentiary rulings and rulings with regard to the jury instructions. Indeed, the parties were given many opportunities to challenge the court's proposed jury instructions. The court stands by its previous rulings and will not address each of Ogilvie's assertions of error, except to find that if any errors were made, they were harmless to the outcome of this case.

With regard to Ogilvie's allegation that the jury reached an inconsistent verdict, the court finds that when confronted with an apparently inconsistent verdict, courts are to "search for a reasonable way to read the verdicts as expressing a coherent view of the case, and must exhaust this effort before it is free to disregard the jury's verdict" and grant a new trial. Richardson v. Suzuki Motor Co., Ltd., 868 F.2d 1226, 1238 (Fed. Cir.), cert. denied, 493 U.S. 853 (1989)(citations omitted). Moreover, where a party has failed to object to apparent inconsistencies in the verdict form before the jury is discharged, that party has waived any objections to inconsistencies under Fed. R. Civ. P. 49(b). See White v. Celotex Corp., 878 F.2d 144, 146 (4th Cir. 1989), cert. denied, 493 U.S. 964 (1989); Diamond Shamrock Corp. v. Zinke & Trumbo, Ltd., 791 F.2d 1416, 1422 (10th Cir. 1986), cert. denied, 479 U.S. 1007.

The court finds that the jury verdict does not contain any inconsistencies. The mere fact that the jury did not find that the patents were invalid for misuse or inequitable conduct (interrogatories 2 and 10), is not irreconcilable with the jury's conclusion that Ogilvie wrongfully asserted its patents which Ogilvie knew, or should have known, were invalid (interrogatories 18, 22-24). While these jury interrogatories and responses do involve misuse of patents, the jury's response to interrogatory 10 found that the '718 patent was not rendered invalid for misuse. In contrast, the latter interrogatories of the jury verdict, 18, 22-24, dealt with whether Ogilvie had wrongfully asserted its patent rights despite knowing of the patent claims' invalidity. The court finds the jury's

responses to these interrogatories are consistent. Accordingly, the court finds the jury's verdict to be reconcilable.[3]

B. Ogilvie's Motion for Judgment as a Matter of Law

Ogilvie moves the court to vacate the portion of the judgment against Ogilvie and to grant judgment as a matter of law on all counts of the complaint and counterclaim under Fed. R. Civ. P. 50, on grounds that Ogilvie proved by a preponderance of the evidence that Manildra and Honan infringed the patent claims in issue both literally and under the doctrine of equivalents. Ogilvie further contends that Manildra failed to establish by evidence which is clear and convincing that the patent claims in issue are invalid. Finally, Ogilvie contends that Manildra failed to establish the requisite elements proving a violation of the Lanham Act and its state tort claims.

Before addressing the merits of Ogilvie's motion for judgment as a matter of law, the court will review the factual background giving rise to the claimed inventions of the patent claims-in-issue. The carbonless copy paper industry has been in existence since at least the early 1960s. During the early periods of the industry, carbonless copy paper was manufactured using Solka-Floc as the primary stilt material. By 1970, the primary stilt

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[3] Furthermore, the court finds that Ogilvie has waived any objections regarding the alleged inconsistency. Following the reading of the verdict, the court granted Ogilvie's request for additional time during which to study the verdict in order that Ogilvie could object to any inconsistencies. After carefully reviewing the verdict of the jury, Ogilvie did not make any such objections prior to the discharge of the jury.

material employed in the manufacture of carbonless copy paper was arrowroot starch which was grown and produced only on the island of St. Vincent located in the West Indies. Arrowroot starch was used in the carbonless copy paper industry because of its uniform particle size which is large enough to serve as a stilt material.

In early 1971, a shortage of arrowroot starch arose. The evidence produced at trial revealed that arrowroot growers had stopped producing arrowroot starch during the years immediately preceding the shortage due to a history of large surpluses which resulted in extremely low prices and narrow profit margins. However, in early 1971, the arrowroot surplus was exhausted and it became apparent to the St. Vincent Arrowroot Association that they would not be able to meet the immediate demands of the manufacturers who supplied the carbonless copy paper industry with arrowroot starch. See Trial Exhibit 106. Upon receiving this formal notice on February 26, 1971, or immediately prior thereto, A. E. Staley ("Staley"), the original patent holder, set about finding a suitable substitute. Within a few weeks, Staley had produced fractionated large-granule wheat starch which it offered to its carbonless copy paper customer, National Cash Register ("NCR"), as a suggested substitute stilt material.

1. Patent Validity

With respect to its claims that the jury's verdict of invalidity must be set aside, Ogilvie contends that Manildra's entire defense of patent invalidity was based upon Manildra's allegations that the inventions described by the patent claims were either obvious or were anticipated by "prior art" thereby rendering the patents invalid under 35 U.S.C. §§ 102 and 103. Ogilvie contends that it is entitled to judgment of validity as a matter of law on these claims.

Among the basic elements required for an alleged invention to be patentable are that the invention disclose something "new" or "novel" and that the claimed invention is "non-obvious" to a person having ordinary skill in the pertinent art at the time the invention was made. See 35 U.S.C. §§ 102 and 103. On these issues, as well as all other attacks on the validity of a patent, the challenger must establish invalidity by evidence which is clear and convincing. Hybritech, Inc. v. Monoclonal Antibodies, Inc., 802 F.2d 1367, 1375 (Fed. Cir. 1986), cert. denied, 480 U.S. 947 (1987). Also factored into this equation is the statutory presumption of validity 35 U.S.C. § 282. Hybritech, Inc. ,802 F.2d at 1375.

In determining whether a claimed invention is obvious, various inquiries must be made. These include: the scope and content of the prior art; differences between the prior art and the claimed invention; and the level of ordinary skill in the pertinent art. Graham v. John Deere Co., 383 U.S. 1, 17 (1966). Other factors which are to be considered, known as "secondary factors" or objective evidence of obviousness or non-obviousness, include: commercial success, long-felt but unsolved need, failure of others in attempting to invent a similar product or process, etc. Id. Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530, 1538-39 (Fed. Cir. 1983). Evidence of secondary considerations is frequently the "most probative and cogent evidence in the record. It may often establish that an invention appearing to have been obvious in light of the prior art was not." Id., at 1538.

Based upon a careful review of the evidence admitted at trial, and in view of the statutory presumption of validity and the prohibition of using hindsight to read the invention into the prior art, the court finds that substantial evidence supports the jury's finding of invalidity of the patent claims-in-issue on the basis of obviousness and for lack of novelty of claims 24-27 of the '725 patent.

a. The Invention

The patent claims-in-issue of United States Patent 3,901,725 ("'725 patent"), claims 1, 2, 3, 8, 9, 10, 16, 17, 18, 19, 24, 25, 26 and 27, teach the fractionation of bimodal cereal starch (including wheat starch) into two monomodal fractions containing primarily large-granule or small-granule starch particles. The process and product taught by the claims-in-issue involve a wet process employing hydrocyclone separating devices in two distinct steps. The first step begins with the input of prime grade wheat starch which has been washed and is substantially free of gluten and fiber.[4] This prime grade wheat starch is injected into the first set of hydrocyclones producing an overflow containing primarily small starch particles and an underflow consisting mostly of large starch particles. See Trial Exhibit 902. The underflow is then recycled through another set of hydrocyclones and once again the underflow is collected. The underflow consists of classified large-granule wheat starch particles of relatively uniform size which are well suited for use as a protective coating in the manufacture of carbonless copy paper.

The patent claims-in-issue of United States Patent 4,280,718 ("'718 patent"), claims 1, 6, 7, 8, 9 and 10, involve the application of the large-granule starch product produced by the wet separation process claimed in the '725 patent as a protective coating on

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[4] In this regard, highly conflicting testimony, which now must be viewed in favor of Manildra, was offered from various witnesses regarding whether it was common knowledge in the cereal starch industry to start with a prime starch feed which was critical to the invention claimed in the '725 patent.

carbonless copy paper. Thus, this patent claims the invention of a "new use" for large-granule cereal starch.

b. Prior Art

The patents-in-suit had a long and tortuous path before their issuance. Indeed, various claims of the '725 patent had been rejected on at least one occasion by the Patent Examiner on grounds of obviousness in view of a patent, namely the Fontein Patent, United States Patent 2,642,185,[5] issued on June 16, 1953, which claimed the use of hydrocyclones in a wet separation process to obtain various subfractions of starch particles based upon particle size.[6] Trial Exhibit 861. Thus, from the outset, the issuance of the claims-in-issue involved close questions which were ultimately resolved in favor of the applicants.

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[5] The goal of the Fontein Patent was to separate or refine cereal starch on the basis of particle size. The primary objective of the Fontein Patent was to "provide a method requiring a minimum of control and space which may be operated in a continuous manner to prepare high grade starch from wheat starch." Trial Exhibit 861.

[6] In order to overcome the Patent Examiner's rejection of the '725 patent claims of hydrocyclonic fractionation of wheat startch, the patent applicants represented to the Patent Examiner the critical nature of the size limitations added to the claims-in-issue of the '725 patent. They also asserted the alleged "inventive concept" of beginning the classification process with a clean starch stream which is "substantially free of gluten and fiber." Based upon these two representations, the Patent Examiner ultimately allowed the patent claims-in-issue.

While much of the prior art which was introduced during the trial had been considered by the patent office, other relevant prior art had not. Therefore, the court finds no merit in Ogilvie's contention that the only pertinent prior art relied upon by Manildra in seeking the invalidation of Ogilvie's patents had already been considered and rejected by the patent examiners as invalidating prior art.[7] Specifically, the court finds that an article published by Dr. W. T. Yamazaki, was not considered by the patent examiner as prior art. Trial Exhibit 1344. This publication revealed that wheat starch could be classified or fractionated into monodisperse large and small-granule fractions. Although Dr. Yamazaki's article discussed an air centrifugation process, the article, nevertheless, reveals or teaches that wheat starch can be separated into subfractions of fairly uniform particle size which is important for its utilization in the carbonless copy paper industry.[8] This publication

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[7] Furthermore, the court notes that the validity of a patent obtained in ex parte proceedings before the PTO, can be challenged in court. Constant v. Advanced Micro-Devices, Inc., 848 F.2d 1560, 1564 (Fed. Cir.), cert. denied, 488 U.S. 892 (1988). While patents are presumptively valid, they are not conclusively valid and unchallengable. Id.

[8] Furthermore, Ogilvie's contention that Dr. Yamazaki's work did not constitute prior art because it was inoperable does not have any merit with respect to this court's consideration of his article as prior art for a determination of obviousness. In re Shepherd, 172 F.2d 560, 564 (CCPA 1949). Indeed, an inoperative or unworkable device or patent is part of the prior art for all that it teaches. See generally 2 Chisum, Patents § 5.03[3] at 5-113, n. 22 (citing numerous such holdings). In any event, the jury presumptively found that the classification process described by Dr. Yamazaki's

disclosed a subfraction of large-granule wheat starch of relatively uniform particle size identical or similar to that of the large-granule starch particles claimed by the '725 patent.[9] Compare Trial Exhibit 1344, at 79, Fig. D with Trial Exhibit 902, Figure 4. Substantial evidence was admitted into trial that Dr. Yamazaki's large-granule wheat fraction met the critical size limitations defined in the patent claims-in-issue.

Moreover, Dr. Yamazaki's work with regard to large-granule wheat starch is not secret prior art because he did not abandon, suppress or conceal, his work and its accomplishments. See 35 U.S.C. § 102(g); E.I. DuPont de Nemours and Co. v. Phillips Petroleum Co., 849 F.2d 1430, 1437 (Fed. Cir.), cert. denied, 488 U.S. 986 (1988). The evidence supports a contrary conclusion. The record reflects that Dr. Yamazaki had publicly disclosed his large-granule wheat fraction in Trial Exhibit 1344 by presenting his paper at an annual conference.

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paper was operable.

[9] This prior art reference anticipates Ogilvie's product claims in the '725 patent, i.e., claims 24 through 27, and serves as a statutory bar to patentability pursuant to 35 U.S.C. § 102(b) because this work was performed more than twelve months prior to the filing of the patent application. In this regard, it is irrelevant whether Dr. Yamazaki realized the utility of large-granule wheat starch. See In re Shoenwald, ____ F.2d ____, 1992 U.S.App. Lexis 10181 (May 12, 1992)("it is beyond argument that no utility need be disclosed for a reference to be anticipatory of a claim to an old compound."); In re Donohue, 632 F.2d 123, 126 n. 6 (CCPA 1980)("proof of utility is not a prerequisite to availability of a prior art reference under 35 U.S.C. § 102(b)").

c. Differences from Prior Art

1. '725 Patent

None of the pertinent prior art discloses the wet separation of a monomodal large-granule wheat fraction through the use of hydrocyclones beginning with a prime starch feed disclosed in the '725 patent.[10] However, the Fontein Patent does teach the wet separation of various subfractions of wheat starch through the use of hydrocyclones in repeated cycles. One of the main distinctions between the Fontein Patent and the patent claims-in-issue of the '725 patent, is that the objective of the Fontein Patent was to obtain a fine or small-particle size fraction whereas the '725 patent seeks to obtain a large-granule fraction. In order to obtain these different objectives, the Fontein Patent teaches the recycling of the overflow, while the '725 patent teaches the recycling of the underflow.

In contrast, the Yamazaki prior art, Trial Exhibit 1344, does not teach a wet separation process through the use of hydrocyclones. Rather, once prime starch is obtained by wet separation and sieving, the prime starch fraction is then air-dried and later subjected to a series of separations or fractionation via air classification. The large-granule subfraction, S-6208, which was ultimately obtained

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[10] As previously discussed, supra, at note 4, whether it was common knowledge to those skilled in the art to start with a "clean starch stream" was highly disputed. Now, viewing the evidence and reasonable inferences therefrom in the light most favorable to Manildra, the court concludes it would have been obvious to one of ordinary skill in the art to begin with a clean starch stream when attempting to further refine starch into various fractions.

after numerous passes, met the particle size limitations contained in claims 24 through 27 of the '725 patent.[11]

Another Yamazaki publication, Trial Exhibit 2901, teaches the wet classification of various bimodal cereal starches, including wheat starch, by the use of a series of sieving devices or by air eleutriation in order to obtain a monodisperse particle size fraction. The process described in this article begins with a deproteinized starch sample. The prime starch is then passed through a series of sieves until various subfractions are obtained.

2. '718 Patent

With regard to the application of large-granule wheat starch in the carbonless copy paper industry, Manildra asserted the NCR Patent as invalidating prior art. The NCR patent discloses the use of cereal starches in combination with a binding material as a suitable coating in the manufacture of carbonless copy paper. The NCR Patent teaches that cereal starch is a superior stilt material over artificial stilt materials such as microscopic glass beads. The NCR Patent discloses a list of unfractionated cereal starches, including wheat starch, and describes their particle size distributions. The NCR Patent also rates their effectiveness as a suitable stilt material. Trial Exhibit 948, at 3, line 85. Unclassified wheat starch was rated below arrowroot, potato and sago starch. The NCR Patent further teaches that uniformity in particle size is

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[11] In this regard, Dr. Yamazaki's work described in Trial Exhibit 1344 was reduced to practice as demonstrated by his sample of S-6208, which was introduced at trial as Trial Exhibit 1359. Further, this reference, Trial Exhibit 1344, was enabling because it describes in relative detail how to obtain the large-granule starch fraction.

the requisite requirement for suitable stilt material, arrowroot possessing this quality in an unfractionated state.

In contrast, the '718 claims-in-issue, claims 1, 6, 7, 8, 9 and 10, teach the use of fractionated large-granule cereal starch (selected from wheat, barley and rye which naturally have a bimodal particle size distribution) obtained by wet separation in the manufacture of the carbonless copy paper. These claims also cover the use of a large-granule cereal starch possessing specific characteristics in particle size and other parameters as applied to the surface of carbonless copy paper. Trial Exhibit 948.

d. Level of Ordinary Skill

A person of ordinary skill in the art is "one who thinks along the line of conventional wisdom in the art and is not one who undertakes to innovate, whether by patient, and often expensive, systematic research or by extraordinary insights. . . ." Standard Oil Co. v. American Cyanamid Co., 774 F.2d 448, 458 (Fed. Cir. 1985). "Reference to the educational background and experience of those actively involved in the art is proper in determining the level of skill." Vandenberg v. Dairy Equip. Co., 740 F.2d 1560, 1566 (Fed. Cir. 1984). Other factors which may be considered include: (1) the educational level of the inventors; (2) the types of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field. Environmental Designs, Ltd. v. Union Oil Co. of Calif., 713 F.2d 693, 696 (Fed. Cir. 1983), cert. denied, 464 U.S. 1043 (1983)(citation omitted).

Based upon the testimony received during trial, one of ordinary skill in the art at the time of the claimed invention would have been an individual with at least a bachelors degree in a

technologically relevant area such as chemistry, grain science, or chemical engineering and with several years experience in the starch refining industry or a closely related industry. Many of the numerous witnesses presented at trial by both sides, including some of the named inventors, expert and fact witnesses, had this type of background. As such, the ordinary level of skill may be properly characterized as high and extremely technical.

e. Secondary Considerations of Obviousness

Among the secondary considerations which must be considered when determining whether an invention is obvious are commercial success, longfelt but unsolved need, and the failure of others, etc. Graham, 383 U.S. at 17. Applying these factors to the evidence presented at trial leads to the conclusion that substantial evidence supports the jury's conclusion of invalidity on grounds of obviousness.

As previously recited above, the need for a substitute stilt material was not a longfelt but unsolved need. Prior to early 1971, an adequate supply of arrowroot starch was available to the producers of carbonless copy paper, and before that, Solka-Floc was used as a stilt material. Within only a month of learning that its only source of arrowroot starch had disappeared, A. E. Staley found a suitable substitute. Thus, although the technology existed for many years in the starch industry to refine or classify cereal starch into various subfractions, including large granule fractions, there was no incentive to classify large granule particles because there was no use for such monomodal large granule cereal starch. Accordingly, viewing the inferences in favor of the nonmoving party, substantial evidence supports the conclusion that the claimed inventions were obvious solutions to a new problem. See Chisum,

2 Patents § 5.05[1], at 5-399 n. 7, (for a list of citations addressing situations where the inventor's solution is an obvious response to a new problem created by changes in the market). Furthermore, the NCR Patent teaches that cereal starch of uniform particle size is the best type of stilt material. The NCR patent also teaches the use of wheat starch as a potential source of stilt material. In view of this prior art, the invention of the '718 patent, i.e., use of a monomodal large-granule cereal starch as a stilt material, would have been obvious to one skilled in the art at the time of the alleged invention.

With respect to commercial success, there is no question that Ogilvie's fractionated large-granule wheat starch has met with significant commercial success in the carbonless copy paper industry. However, the record also supports the conclusion that the unique situation confronted by the carbonless copy paper market is largely responsible for the commercial success of the classified large-granule wheat starch product. As stated previously, the carbonless copy paper industry was a preexisting market which suddenly lost its only supply of cereal stilt material. Thus, the commercial success of this product was largely the result of a preexisting built-in market with no other alternatives.

With respect to the failure of others, the record is highly conflicting. Substantial evidence exists in the record that Mid-west Grains (f/k/a Midwest Solvents) produced a sample of fractionated wheat starch within a short time after being asked to come up with a sample of classified wheat starch. Other than this, there is no record that others tried and failed to find a solution to the shortage of arrowroot starch as a stilt material. The jury presumptively resolved this disputed area in favor of Manildra.[12]

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[12] Other factors which are relevant include licensing of the invention or acquiescence in the industry, copying, acclamation of the invention and simultaneous invention by others. Evidence

Careful examination of all of the above factors leads the court to conclude that substantial evidence, indeed evidence arising to the level of being clear and convincing, exists to support the jury's conclusion that the claimed inventions are invalid on the basis of obviousness, as well as lack of novelty of claims 24-27 of the '725 patent. The technology to fractionate bimodal cereal starch existed since the 1950s; however, there simply was no demand for a monodisperse large-granule cereal starch product. Rather, the valuable subfractions of starch were those consisting of smaller particle sizes. The process for obtaining a large-granule cereal starch was an obvious modification of the Fontein Patent. Further, evidence which the jury found credible supports the conclusion that it would have been obvious to those skilled in the art to begin with a clean starch stream, i.e., deproteinized starch stream, substantially free of gluten and fiber, at the time of the alleged inventions. These factors combined with the high level of skill in the pertinent art and the nature of the problem presented to the starch industry and carbonless copy paper industry, lead the court to conclude that it would have been obvious to one skilled in the art of starch refining to combine the various references to obtain a cereal starch product which is similar to arrowroot in particle size and distribution which

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presented during the trial relevant to these factors was highly conflicting. For example, testimony was presented that Midwest had produced a large-granule wheat starch product prior to its obtaining a license from Ogilvie's predecessor for a relatively modest price of approximately $300,000. Prior to receiving this license, inquiries of infringement had been directed at Midwest. Whether Midwest accepted the validity of the patents, or whether it purchased a license to avoid any litigation regarding the patents-in-suit, was unclear. In view of the undoubtedly high cost of this litigation, it appears that Midwest made a wise choice.

would serve as a suitable substitute stilt material for arrow root starch.[13]

2. Infringement of the Patent Claims-in-Issue

Ogilvie also moves for judgment as a matter of law on the issue of infringement. Infringement is an issue of fact to be decided by the jury. Sun Studs, Inc. v. ATA Ecruip. Leasing, Inc., 872 F. 2d 978, 986 (Fed. Cir. 1989); Moleculon Research Corp. v. CBS, Inc., 793 F.2d 1261, 1269-70 (Fed. Cir. 1986), cert. denied, 479 U.S. 1030 (1987). On this issue, Ogilvie bears the burden to prove by a preponderance of the evidence that Manildra and Honan have infringed the patent claims-in-issue. Symbol Technologies, Inc. v. Opticon, Inc., 935 F.2d 1569, 1574 (Fed. Cir. 1991).

In the interest of economy, the court finds that much evidence was presented on this issue both supporting a finding of infringement and supporting a conclusion of non-infringement. The jury chose to believe the evidence supporting non-infringement. This court cannot say as a matter of law, considering all inferences in the favor of the nonmoving party, that Ogilvie was entitled to a judgment on the issue of infringement. Specifically, the court finds

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[13] With regard to Manildra's contentions of invalidity of the specific claims-in-issue on the basis of vagueness in violation of 35 U.S.C. § 112, the court finds that this was a heated point of controversy on which wide ranging testimony was introduced. Indeed, the testimony was simply irreconcilable. Expert testimony was introduced by both sides regarding whether one of ordinary skill in the art would have known precisely what was intended with the use of the term "about" as it was employed in the patent claims in view of the applicants' use of this term in their patent specifications.

that evidence was presented that Manildra's product did not literally infringe, or read on the claims of the patent claims-in-issue because Manildra's product does not fall within the size limitations contained in the relevant patent claims. Further, with respect to Ogilvie's contentions that it is entitled to judgment as a matter of law on the issue of infringement under the doctrine of equivalents, the court finds that the jury was properly instructed on the elements of the infringement under the doctrine of equivalents, i.e., that the infringing device performs substantially the same function, in substantially the same way to achieve substantially the same result. Malta v. Schulmerich Carillons, Inc., 952 F.2d 1320, 1325 (Fed. Cir. 1991), cert. denied, ___ U.S. ___ (U.S. June 8, 1992)(1992 WL 95084); Lear Siegler, Inc. v. Sealy Mattress Co. of Michigan, 873 F.2d 1422, 1425-26 (Fed. Cir. 1989). Substantial evidence was presented during trial that Manildra's product was produced through air classification, thus, failing the second prong of the equivalency test as it relates to the process and product-by-process claims-in-issue. Further, the court finds that substantial evidence supports the jury's conclusion that Manildra's large-granule wheat product does not infringe the product claims-in-issue under the doctrine of equivalents in view of the prosecution history of the patent claims.

The court further finds that evidence was presented supporting the giving of an instruction on the reverse doctrine of equivalents. As previously stated, evidence supporting literal infringement was introduced during the trial, as was evidence that Manildra's alleged infringing product was produced in a significantly different manner. Thus, the underlying factual prerequisites for an instruction of the reverse doctrine of equivalents were introduced during the case. Accordingly, the court finds that it was proper to instruct upon this doctrine.

3. Lanham Act and Pendent State Tort Claims

The court has carefully reviewed and considered Ogilvie's contentions, the evidence admitted at trial and the applicable law, and finds that in viewing all of the evidence and inferences in the light most favorable to Manildra, substantial evidence exists in the record to support the jury's conclusion that Ogilvie violated the Lanham Act. The court further finds that substantial evidence exists to support the jury's conclusion that the defendant interfered with Manildra's prospective economic advantage and that it committed unfair competition in the form of injurious falsehood.

Specifically, the court finds that the record contains evidence that Ogilvie continued to make representations which were originally made by its predecessor patent owner, Henkel, such representations which led potential purchasers of large-granule wheat starch to avoid doing business, or to limit their purchases from Manildra due to the threat of being brought into patent infringement litigation. Furthermore, the court finds that plaintiff was not allowed to create the erroneous impression that Ogilvie should be held responsible for the conduct of the Henkel corporation. The court gave a very specific limiting instruction on this issue. See Instruction 24a.[14] Furthermore, while presiding over four and one-half months of testimony, the court did not observe any abuse by Manildra with respect to the limited admissibility of evidence regarding conduct of the Henkel Corporation.

Additionally, the court finds that the record contains evidence upon which the jury could have concluded that Ogilvie did not investigate whether Manildra's large-granule wheat starch

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[14] Manildra complains this instruction is too limiting.

actually infringed Ogilvie's patents and that Ogilvie possessed test data revealing that Manildra's product did not infringe the patent claims-in-issue. Thus, the court finds that substantial evidence was presented upon which the jury could have based a finding of malice on the part of the defendant. On the issue of causation of Manildra's small market share, evidence was presented that Manildra had the lowest price and a good quality product, and yet, was unable to increase its market share among carbonless copy paper manufacturers. In addition, evidence was presented that carbonless copy paper manufacturers had represented to Manildra their reluctance to enter into contracts or to purchase large quantities of large-granule wheat starch from Manildra due to the threat of patent litigation. Thus, evidence was presented from which the jury could infer that Manildra's damages (lost sales) resulted from Ogilvie's representations regarding its patents and Manildra's alleged infringement. Finally, the court finds that Ogilvie's remaining contentions regarding insufficient evidence are without merit.

C. Remittitur

Ogilvie next contends that the jury's verdict of $2,250,000 compensatory damages and $2,500,000 in punitive damages is excessive, against the weight of the evidence, and the product of improper passion and prejudice on the part of the jury.

In evaluating a motion for remittitur, the court must examine the verdict to determine whether the jury award is "so excessive that it shocks the judicial conscience or leads to an inescapable inference that it resulted from improper passion or prejudice on the part of the jury." Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 703 F.2d 1152, 1177 (10th Cir.

1981), cert. denied, 464 U.S. 824 (1983). Whether to grant remittitur is within this court's sound discretion.

The court has fully considered Ogilvie's contentions regarding the size of the verdict, the evidence presented at trial, and the applicable law. The court finds Ogilvie's motion for remittitur should be denied. Although the damages awarded by the jury are significant, the damages awarded are well within estimates presented during trial through expert testimony based upon underlying data involving Manildra's product, profit margin, the large-granule wheat starch market, and other economic and financial indices. Finally, the court finds the jury's award of $2,500,000 in punitive damages is reasonable in view of the actual damages found to have been sustained, the relative positions of the parties, and the financial resources of Ogilvie. Accordingly, the court will deny Ogilvie's motion for remittitur.

II. Manildra's Post-Trial Motions

Manildra moves the court to amend the judgment to award Manildra Ogilvie's profits from its sales of large-granule wheat starch or to treble the damages awarded by the jury pursuant to 15 U.S.C. § 1117(a). Manildra also seeks an award of attorneys' fees pursuant to 15 U.S.C. § 1117(a), 35 U.S.C. § 285, and 28 U.S.C. § 1927. Finally, Manildra moves the court for a partial new trial on its antitrust claims.

Title 15, United States Code, Section 1117(a) allows a prevailing party to recover, subject to the principles of equity, (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. Section 1117(a) also allows the court, in exceptional cases, to award the prevailing party reasonable attorney fees. However, any award must constitute compensation and not serve to penalize the losing party.

As the prevailing party under 15 U.S.C. § 1117(a), the court finds that Manildra is entitled to recover its actual damages sustained, i.e., $2,250,000, and its costs of the action. The court finds such an award to be just in view of the evidence presented during trial regarding Manildra's lost profits and injury to its reputation. With respect to Ogilvie's request that Manildra's costs be apportioned so that Manildra may recover only those costs related to its Lanham Act claim, the court finds that no apportionment is warranted. The court bases this finding upon the fact that all of Manildra's claims centered upon the same issues which had to be proven in order to establish violations of the Lanham Act. In order to recover under the Lanham Act, Manildra had to prove that Ogilvie had made false representations of fact about its large-granule wheat starch and Manildra's large-granule wheat starch; Manildra had to establish by clear and convincing evidence that the patent claims-in-issue were invalid, or that the patents were unenforceable.[15] Thus, the court finds Manildra's claims were so "tightly bound" together, that the same work was necessary for all of Manildra's affirmative claims. Thus, the court concludes no apportionment of costs is warranted.

With respect to Manildra's request that it be awarded enhanced damages in the form of Ogilvie's profits or by the court's trebling of the jury's award of actual damages, the court finds that the award of actual damages made by the jury is an adequate and just amount. Thus, the court will not increase Manildra's damages, nor will it order an accounting of Ogilvie's profits. The court further finds that any increased or enhanced damages would serve

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[15] In the alternative, Manildra had to establish by a preponderance of the evidence that the patent claims-in-issue were not infringed.

to penalize Ogilvie which is an impermissible reason to enhance the damages award under the Lanham Act. See 15 U.S.C. § 1117(a).

In determining whether this is an exceptional case warranting the award of attorneys' fees, under the Lanham Act, "exceptional" cases involve those situations where the wrongful conduct may be characterized as "willful," "malicious," "fraudulent," or "deliberate." Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513, 528 (10th Cir. 1987); VIP Foods, Inc. v. Vulcan Pet, Inc., 675 F.2d 1106, 1107 (10th Cir. 1982). Similarly, under the patent laws, 35 U.S.C. § 285, the court may award reasonable attorneys' fees to the prevailing party in "exceptional" cases. Section 285 is meant to "provide discretion where it would be grossly unjust that the winner be left to bear the burden of his own counsel which prevailing litigants normally bear." Badalamenti v. Durham's, Inc., 896 F.2d 1359, 1364-65 (Fed. Cir.), cert. denied, 111 S. Ct. 142 (1990)(quoting J.P. Stevens Co. v. Lex Tex Ltd., Inc., 822 F.2d 1047, 1052 (Fed. Cir. 1987)(emphasis in original)). There must be some finding of unfairness, bad faith or inequitable conduct on the part of the unsuccessful patentees. Id.(citation omitted).

Applying the above tests to Manildra's motion for attorneys' fees, the court finds that Manildra should be awarded attorneys' fees under either provision. There is no question in this court's mind that this case is exceptional or extraordinary in terms of the costs to the parties, the government and all other persons who were even remotely involved.[16] However, the inquiry which this court must focus on in determining whether to award attorneys' fees involves an inquiry into whether this case is "exceptional" in view of the patent laws or the Lanham Act.

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[16] The court notes that a jury of nine people dedicated six months of their lives to this case.

Upon reviewing the verdict entered by the jury and considering the evidence presented at trial, the court finds that this case is an exceptional case warranting the award of attorneys' fees to Manildra as the prevailing party. In reaching its verdict that Ogilvie had committed unfair competition in the form of injurious falsehood, and that Ogilvie had intentionally interfered with Manildra's prospective economic advantage, the jury presumptively found that Ogilvie's conduct was intentional and malicious. See Instruction Nos. 34 and 41. Because the Lanham Act is essentially a federally codified version of unfair competition, the court finds the jury's verdict to be sufficient to warrant a finding that Ogilvie's violation of the Lanham Act was willful or intentional, thereby rendering this case exceptional within the meaning of 15 U.S.C. § 1117(a). Accordingly, the court finds that Manildra is entitled to recover attorneys' fees under Section 1117(a) of the Lanham Act. Similarly, the court finds that such a finding of intentional or malicious conduct is the equivalent of a finding of bad faith, thereby warranting an award of attorneys' fees under the 35 U.S.C. § 285. Accordingly, the court finds that Manildra is entitled to recover reasonable attorneys' fees in litigating this action.[17] The court further finds that Manildra is entitled to recover reasonable expert witness fees because the use of expert witnesses in this case was necessary. Mathis v. Spears, 857 F.2d 749, 759 (Fed. Cir. 1988).

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[17] The court finds Manildra's request for attorneys' fees under 28 U.S.C. § 1927, to be without merit. While it is true that this was an extremely hard fought battle in which both sides interests were zealously pursued, the court does not find Ogilvie's counsel to have vexatiously or unreasonably multiplied the proceedings in this case. Accordingly, the court will deny Manildra's request for an assessment of attorneys' fees under 28 U.S.C. § 1927.

Finally, the court finds no merit in Manildra's motion for a partial new trial on its antitrust claims. The court correctly instructed upon the elements of Manildra's antitrust claims in the context of the patent laws of the United States. See Instructions 24, 26, 30 and 31. Moreover, the court finds that Manildra has waived any objections to the "double-hurdle" nature of the instructions relating to its antitrust claims. The first time this objection was brought to the court's attention was during jury deliberations. Nor does the court find merit in Manildra's allegations that Instruction 24a impermissibly limited the jury's consideration of the conduct of Ogilvie's predecessor patent owner.

III. Ogilvie's Motion to Correct Inventorship

Ogilvie has requested that the court rule on its motion to correct inventorship. This motion was first presented to the Honorable Earl E. O'Connor, then Chief United States District Judge. Upon consideration, Judge O'Connor deferred ruling on this motion and took it under advisement pending trial. While the court finds that the omission of Dennis M. Adkesson as an inventor to U.S. Patents 3,901,725, 3,951,948 and 4,280,713 and the omission of Donald L. Johnson as a named inventor in U.S. Patents 3,901,725 and 3,951,948 were errors of oversight which occurred without deceptive intent, the court finds that this motion is now moot as it relates to the patent claims-in-issue. See Garret Corp. v. United States, 422 F.2d 874, 881 n. 5 (Ct. Cl. 1970), cert. denied, 400 U.S. 951 (1970)), Long Mfg. N.C., Inc. v. Condec Corp., (unpublished slip op. Case No. Civ. A 79-93-Civ.-7)(filed June 21, 1984) 1984 WL 1351, 223 U.S.P.Q. 1213. Accordingly, the court will deny Ogilvie's motion to correct inventorship as moot.

IV. Other Matters

The court has carefully considered Ogilvie's and Manildra's motions for sanctions and finds that both motions should be denied. Further, the court finds that both parties' motion to amend and clarify the judgment to more clearly reflect the jury verdict, nunc pro tunc, should be denied, except that the court will direct the clerk to amend the judgment nunc pro tunc to reflect the jury's verdict with respect to validity and infringement of the patent claims-in-issue, and to the extent that defendant and counterclaimant John Thomas Honan should not have been awarded any recovery.

IT IS BY THE COURT THEREFORE ORDERED that Manildra's motion to amend judgment pursuant to 15 U.S.C. § 1117(a)(Doc. 1088) is denied.

IT IS FURTHER ORDERED that Manildra's motion to award reasonable attorneys' fees, expenses and costs (Doc. 1089) is granted. Manildra is directed to submit to the court an affidavit detailing its attorneys' fees and expert witness fees, within sixty (60) days of the date of this order, in lieu of a hearing on this issue. Ogilvie is given twenty (20) days after receipt of the service of the affidavit to file with the court and serve on Manildra any objections to the expenses and fees detailed in the affidavit.

IT IS FURTHER ORDERED that Manildra's motion for a new trial on Manildra's antitrust claims (Doc. 1090) is denied.

IT IS FURTHER ORDERED that Manildra's motion to amend and clarify the judgment nunc pro tunc (Doc. 1092) is granted in part, and denied in part.

IT IS FURTHER ORDERED that Ogilvie's renewed motion for judgment as a matter of law (Doc. 1094) is denied.

IT IS FURTHER ORDERED that Ogilvie's motion for a new trial (Doc. 1096) is denied.

IT IS FURTHER ORDERED that Ogilvie's motion to amend the judgment (Doc. 1100) is granted in part, and denied in part.

IT IS FURTHER ORDERED that Ogilvie's request for a ruling on its motion to correct inventorship (Doc. 1102) is denied, as is the underlying motion (Doc. 282).

IT IS FURTHER ORDERED that Ogilvie's motion for remittitur (Doc. 1104) is denied.

IT IS FURTHER ORDERED that Ogilvie's motion for sanctions (Doc. 807) is denied.

IT IS FURTHER ORDERED that Manildra's motion for sanctions (Doc. 984) is denied.

IT IS FURTHER ORDERED that the clerk enter judgment nunc pro tunc on the jury's verdict on which judgment was originally entered on February 27, 1992, as follows:

> The patent claims-in-issue are declared and adjudged to be invalid and non-infringed. Judgment is entered in favor of plaintiff and counterclaim defendant Manildra Milling Corporation in the sum of Two Million Two Hundred Fifty Thousand Dollars ($2,250,000.00) in actual damages; and

Two Million Five Hundred Thousand Dollars ($2,500,000.00) in punitive damages, with interest at the rate of 4.21% as provided by law.

IT IS FURTHER ORDERED that the clerk is directed to certify this judgment as final between Manildra Milling Corporation, John Thomas Honan, and Ogilvie Mills, Inc.

Dated this 15 day of June 1992, at Topeka, Kansas.

/s/
DALE E. SAFFELS
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

MANILDRA MILLING CORPORATION,

Plaintiff & Counterclaim Defendant,

v. CASE NO. 86-2457-S

OGILVIE MILLS, INC.,

Defendant, Third-Party Plaintiff & Counterclaimant.

HENKEL CORPORATION, HENKEL OF AMERICA, INC.,

Defendants & Third-Party Defendants,

JOHN THOMAS HONAN,

Counterclaim Defendant.

RULE 54(b) CERTIFICATE

There being no just reason for delay and pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, it is hereby ORDERED that final judgment be entered as to the claims between Manildra Milling Corporation, John Thomas Honan and Ogilvie Mills, Inc.

/s/
DALE E. SAFFELS, U.S. DISTRICT JUDGE

Filed: June 16, 1992

[Calott Tr. 2168]

Q. Can you tell me what you meant by the term legitimate competitive situation?

A. We just don't think when someone is selling price low that it's a genuine price competitive situation because we felt they were the number one supplier in the area and we were a price leader. So we just don't meet those situations.

Q. It had something to do with your patent license situation.

MR. WEITZMAN: It had nothing to do.

MR. BELMAN: I'm sorry. Thank you.

Q. It had nothing to do with your patent license situation?

A. I think the fact that we do have a patent license makes us more legitimate.

MR. BELMAN: Okay. Moving to Page 197, Line 6.

Q. Your next sentence in this memo says he, and that's again referring to Mr. Crow. He, again, reminded me this was just a matter of information--

A. Mr. Keller.

Q. Beg your pardon, Mr. Keller. Again he reminded me this was just a matter of

[Calott Tr. 2173]

MR. GREGORY: No, Your Honor.

Q. I take it Mr. Keller, in this case, was complaining about the selling price and the pressure it put on the plant or the penalty it put on the plant?

A. Yes.

Q. You make the statement in that Call Report, I again went through our litany on our position in the LGS field and why we have to be a leader, et cetera, et cetera.

Can you tell us what your litany on your position in the LGS field consisted of?

A. Well we, of course, purchased the business and the patents and so forth from Staley.

MR. BELMAN: I'm going to pause here while we get this in focus there.

Q. You make the statement--

MR. BELMAN: Oh, I'm sorry.

MR. WALCH: It's Line 19.

MR. BELMAN: Thank you.

Q. Yes.

A. That cost us money. We have to get our money back. Therefore, we maintain our price because we feel that we have an investment in the business. Consequently, it's as simple as

[Calott Tr. 2174]

that, that's why were a leader.

Q. Related to the patents?

A. Related to purchasing the patents. And we try to maintain our leadership by salesmanship and service.

Q. All right. So you feel you're a leader because you have the patent and because you do a good job of selling?

A. And servicing.

Q. And servicing the customer.

A. And we bought it. So, therefore, it doesn't cost a competitor as much to sell his product as us since we put an investment in the license, purchasing it.

MR. BELMAN: Okay. Page 210, the bottom line.

Q. This document is an Intra-Company memo from yourself to production man down in Keokuk.

I take it you are the author of that.

MR. BELMAN: 211, Line 4.

A. Yes, I am.

Q. It's dated July 2 of '87?

A. Correct.

MR. BELMAN: Your Honor, that's Exhibit 775, @@ and I'll move its admission at

[Keller Tr. 3714]

possibility of Prostar in Canada.

Q. Did he say whether or not Midwest Solvents was licensed?

A. He mentioned that Midwest Solvents was licensed.

MR. WALCH: Page-- or Line 9 on Page 61.

Q. Was anything said about whether or not Manildra was licensed under Henkel's patent or patents?

A. I think he mentioned that Manildra was not licensed.

Q. Was anything said in that conversation about whether or not Moore was buying from Manildra?

A. He was aware that Moore was buying from Manildra.

MR. WALCH: Skipping to Line 22 on Page 61.

Q. Was anything said in that conversation about possibility of patent lawsuit or patent infringement lawsuit?

A. Pete said that he was aware that Moore used Manildra, but it would not pay to take the case to court because the cost that would be incurred through litigation would be-- it

[Keller Tr. 3715]

would be far more expensive than the results.

MR. WALCH: Then to Page 66, Line 19.

Q. Let's go back to the first luncheon meeting with Mr. Calott, then with Henkel, advised you of Henkel having patent rights. Did Mr. Calott encourage Moore to use Midwest rather than Manildra as a second source?

A. He asked me why we were not using Midwest, I recall, yes.

Q. What did you say?

A. Midwest, from the files, showed that the material was not approved for use. That's number one. Number two, Midwest showed no actual interest in Moore Business Forms. Number three is why should we purchase from a licensee instead of the actual manufacturer? We felt that the costs for Midwest would be higher.

Q. Did you explain all these things to Mr. Calott at the meeting?

A. Yes.

MR. WALCH: Now we're on Page 68, Line 18.

Q. Mr. Keller, the court reporter has showed you Deposition Exhibits 1, 2, and 3 have you had a

[Keller Tr. 3716]

chance to review those documents?

A. Yes.

Q. Do any of those documents refresh your recollection as to the time period of your-- of your luncheon meeting when Mr. Calott was with Henkel that we have just been discussing?

A. From the date on top, yes.

MR. WALCH: Do we have that exhibit?

MR. SABLEMAN: No, I don't think so.

Q. The date on top of the document, Exhibit 2, is that the date of the meeting we have been discussing?

A. Yes, 10/18/84.

Q. Is Exhibit 1 a document you prepared following the meeting?

A. Yes.

MR. WALCH: Then to Page 70, Line 1.

Q. Let's go to this next meeting where a patent was discussed. You don't have to look at the documents anymore. You say there was one meeting-- you said there was one meeting when Mr. Calott was with Ogilvie where the patents were discussed, is that right?

A. Yes.

Q. Can you place that in time?

[Keller Tr. 3717]

A. It was a meeting after that date.

Q. Do you recall anything that Mr. Calott said in that meeting other than what you told me before, that Ogilvie had the patent rights from Henkel?

A. That's all I recall.

Q. Did Mr. Calott mention Manildra in that meeting?

A. Yes, he did.

Q. What did he say about Manildra in that meeting?

A. Manildra does not have patent rights.

Q. Did he say anything else about Manildra?

A. No.

Q. Did he mention the possibility of a lawsuit involving Manildra?

A. No.

Q. Did he refer to his prior discussion about it wouldn't be cost effective to sue Manildra for patent infringement?

A. I think he had mentioned it at that meeting.

MR. WALCH: Then moving to Page 77, Line 13.

Q. I'm sorry. Mr. Keller, will you tell me if Exhibit 4 is the correspondence relating to

[Keller Tr. 3718]

your inquiry about the Midwest license agreement?

A. Yes.

Q. Does that help you place the time period of the conversation you had with Mr. Calott about the patents when he was with Ogilvie?

A. Right, it does.

Q. When was that conversation with Mr. Calott?

A. That was at the 3/12/85 meeting.

MR. BELMAN: Can we consult for a second, Your Honor?

THE COURT: Certainly. Go right ahead.

MR. BELMAN: Thank you, Your Honor.

MR. WALCH: Now, we're going to Page 80, Line 6.

Q. Mr. Keller, have you had a chance to review Exhibits 5A and 5B?

A. Yes.

Q. Have you had a chance to review these?

A. Yes.

Q. Can you identify those for us?

A. Yes. I composed these.

MR. WALCH: @@ All right. At this time, Your Honor, I would like to offer trial

[Keller Tr. 3722]

Q. Now that you have Exhibit 715 in front of you, can you better place in time the time that you made the decision-- look at 715, please-- when you made the decision to restrict Manildra to 50 percent of Fremont?

A. I don't recall an accurate date. I can only guess it was about six months prior.

Q. Six months prior to September 12, '86?

A. Correct.

Q. Did Paul Marshall ever discuss the patent situation with you?

A. Yes.

Q. On how many occasions?

A. I don't know the total number of times that he discussed it.

Q. Approximately how many?

A. Approximately two or three.

Q. Can you differentiate between those, or do they all run together in your mind?

A. When I initially came into Glenview in June, Paul Marshall requested that I review all of the files on the MCP chemicals, which I did. If I had any questions, I should ask him.

It was during a meeting that Paul mentioned that there's a situation with

[Hancock Tr. 4436]

MR. WALCH: @@ All right. I'll introduce Exhibit 1460 at this time.

MR. McANANY: No objection, Your Honor.

THE COURT: @@@ Be admitted.

Q. All right. Could you explain your findings then to us with the aid of this chart. If you need to, come-- please come down with the pointer.

A. Yes, now, here domestic sales, we're looking at sales in the United States, the lower 48 states, of large granule wheat starch by manufacturer. Here on the vertical axis we have pounds measured in millions going up by increments of $2 million pounds per horizontal segment, and then we have each of the three producers of large granule wheat starch, again, represented, Midwest Grain, Ogilvie Mills and Manildra Milling. And from 1985 through the second

quarter of 1991, we obtained information on total pounds sold by producer, and we see that on a-- on a consistent basis, Manildra Milling, shown here as the blue columns, Manildra Milling is the lowest quantity seller of all three

[Hancock Tr. 4437]

producers.

Midwest Grain is just below Ogilvie Mills for the years of 1986-- excuse me 1985 and 1986, and then they surpass Ogilvie Mills in the year of 1987, and continue from that point on to be the largest quantity seller.

Ogilvie Mills then comes in second, and then in a distant third is Manildra Milling.

This--

Q. What does this tell you from an economic theory standpoint?

A. Well, it-- it-- it's a very interesting piece of information because it is inconsistent with what we expect it, and sometimes the inconsistencies are, in fact, the most interesting results that you come up with. So we expected to see Manildra Milling leading all three producers in terms of quantities sold. We see exactly the opposite. So in our mind-- being economists, in our mind, lower price is always associated with higher quantities, so we say at this point there has to be a reason. There has to be a reason to justify why it is that Manildra with the lowest price is also the lowest quantity

[Hancock Tr. 4438]

seller.

So what we did at this point is we started investigating some of the characteristics of the market to try and come up with a reason for Manildra Milling being the lowest quantity seller. It's kind of like--

Q. Excuse me, Doctor Hancock. At this point, can you automatically assume that some producer is exercising market power or do you have to do some more analysis before you come up--

A. Well, I-- I would not feel comfortable at this point, just looking at price and quantities information, to draw that conclusion, no.

Q. All right. What other potential explanations can you offer, or what do you have to investigate to find out what could explain this dichotomy between the quantity and the price?

A. Well, the first explanation that occurred to us was that it's possible that Manildra Milling is simply-- (reporter interruption) simply at its capacity. That is to say, that they only sell this much large granule wheat starch because they simply do not have the

[Hancock Tr. 4476]

about that being the basis for a submarket, we've gone through the two submarket analysis, my question to you is: If you said, "Well, no, we shouldn't regard this as two submarkets for purposes of analysis-- for market share analysis, do you have any explanation, aside from that submarket explanation that we've been through, for the division of the market in this manner other than a decision by the producers to allocate it in that manner?

A. I have no such explanation, no.

MR. WALCH: All right. I think we're ready to go to a new subject at this point, Your Honor.

THE COURT: Let's have lunch, then. We'll take our luncheon recess and reconvene at 1:30. Remember the admonition of the Court. Please recess the Court.

(THEREUPON, a lunch recess was had).

THE COURT: Mr. Walch, please continue your direct.

MR. WALCH: Thank you, Your Honor.

Q. Doctor Hancock, I just want to review the bidding here before asking you another

[Hancock Tr. 4477]

question. I think before lunch, we had covered the fact we had this dichotomy in the market where we have the low-- the strange price structure with the low price producer and selling by far the lowest quantities, and you had gone into what-- potential economic indicators by explaining that phenomenon and you ruled out a number of them. Could you review that briefly with us and see if there's anything else left we need to rule out?

A. Yes. We ruled out by analysis of the production facilities that Manildra has the possibility that they simply could not supply that quantity to the markets. We ruled out the possibility that there was poor information regarding Manildra in the markets. We ruled out the possibility that Manildra was selling a product that was, in fact, substantially different from the products being sold by Midwest and-- and Ogilvie. And we ruled out the fact that the buyers simply were not aware of-- of Manildra. So those-- those are the economic issues that we considered and subsequently ruled out as-- as a way in which we could

[Hancock Tr. 4478]

explain low price, low quantity.

Q. We had talked about it specifically, but in your earlier exhibit when you were talking about the market, one of the things you'd mentioned was geographic concentration. Can we rule out the geographic dispersity as an explanation?

A. Yes, we did.

Q. And-- and can you explain why?

A. Well, again, because of the fact that there's not going to be a significant difference in the transportation cost between one firm and another firm, no-- no single firm would have a tremendous cost advantage on transportation.

Q. All right. From an economist standpoint, is there any other theory to explain this phenomenon that we haven't yet ruled out?

A. We came up with an alternative explanation as to why it is that the low cost seller is also the low quantity seller, and that has to do with the ability of the buyer to distinguish between various types of costs of purchasing the product from Manildra.

Q. And what do you mean by various types of-- types of cost. I thought we were talking

[Hancock Tr. 4479]

about a cost of something like that 26 cents a pound plus transportation charges. Is that what you mean?

A. Well, that is the explicit stated cost. The explanation that we began to focus on next is the possibility that in addition to the price that a buyer would have to pay from Manildra, they would also encounter an additional cost to them in terms of the potential that down the road they may be involved in a legal suit and all the attended cost that go along with being involved in a legal suit.

Q. Did you prepare a chart which is in your red book to illustrate that?

A. I did, yes.

Q. And is that Plaintiff's Exhibit 1464?

A. It is.

MR. McANANY: No objection,. Your Honor.

THE COURT: @@@ Be admitted.

Q. All right. Probably you can do it from where you are, it's not that difficult of a chart. What does 1464 demonstrate or illustrate, I guess?

A. Basically what we're looking at here is, on

[Hancock Tr. 4480]

the vertical axis we're looking at the price, on the horizontal axis we're looking at the two different sellers, Manildra versus Ogilvie. And as we've seen for Appleton, Meade and Moore, the price that Ogilvie

charges is in fact higher than the price that Manildra charges. So why--

Q. That's the explicit price?

A. That's the explicit price, that's right. So why is it that Manildra is the low quantity seller. Well, perhaps there is information out there that would lead us to conclude that there is an additional cost buying from Manildra, over and above the stated price, 28 and a half cents a pound that would in fact, when taken into account, place the price that Manildra sells large granule wheat starch for above the price that Ogilvie charges its customers for large granule wheat starch.

Q. Would another way be-- of saying that-- would that be a hard cost or would that be a perceived cost, or what would that be?

A. It's obviously a perceived cost, because when you-- if you bought 100 pounds of large granule wheat starch from Manildra, you

[Hancock Tr. 4481]

wouldn't be paying the additional cost at that point. But there may be a perception out there that down the road after

you've purchased the product for a period of time, down the road you will be brought into a legal suit.

Q. All right. You can take your seat again. Now, with respect to this perceived cost, Doctor Hancock, would that necessarily have to be just the cost if, let's say, one of these producers, Moore, obviously if it got brought into a patent infringement suit, it would have cost defending that suit. But would it necessarily-- would that perceived cost just have to be limited to a situation where, say, Moore or Meade or Appleton was brought into a suit?

A. I'm not sure I understand the question. I'm sorry.

Q. Well, could there be perceived costs, say, if there had been-- there were just a suit between, say, Manildra and Ogilvie, could there be perceived costs to the buyer in that situation as well as in a suit where the buyer himself is involved in it?

[Hancock Tr. 4482]

A. I see. Yes. There could be. There are, of course, associated with trials or legal suits, there are all kinds of depositions that require that marketing people are taken away from their job. People in-- well, from the people in the Board of Directors all the way down to the president and vice-president and so forth, they may be required to come in and give testimony and so forth. And that type of cost, while it would not be an explicit cost, that would show up on the financial report, it would, of course, be a cost to the firm. They're trying to run their-- their operation in a smooth fashion and-- and to the extent that these people are called out of the firm for various reasons not related to that operation, that's-- that is indeed a cost.

Q. And what about document production that is required in these lawsuits?

A. Well, of course. There are substantial quantities of documents that have to be produced for litigation. There may be information that the-- that the firm does not want to be made available to its competitors or be made available in any form, and yet,

[Hancock Tr. 4483]

they are compelled to provide this information. So that again would represent an additional cost.

Q. Now, while we're talking about possible perceived costs here, I'll ask you another illustration, take the situation again where a particular customer himself isn't directly involved in a lawsuit, Appleton, Meade or Moore, but if one of them had been, say, purchasing all of its supplies hypothetically from Manildra, which we know didn't occur, but say they had been, hypothetically, and then there was a lawsuit, the result of which was Manildra was eliminated completely from the market, would that be a perceived cost?

A. Certainly. It would.

Q. And can you explain that, please?

A. Yes. In the large granule wheat starch industry-- well, in the large granule industry apparently back in the '70s they had been using arrowroot to generate the large granules, and-- and there was then a change from arrowroot because of the undependability of the supply of arrowroot. And so consequently, the buyers of large granule

[Hancock Tr. 4484]

wheat starch for the production of carbonless paper are very sensitive to the ability of a firm to continue to supply them into the future.

If any of these firms ended up depending upon Manildra for 100 percent of its supply and Manildra was subsequently prohibited from producing and supplying large

granule wheat starch to them, they would then have to go out and seek another supply, which may or may not be available, and if it is available, it may be available only at-- at a substantially increased price. So that would be, again, another cost.

Q. So did you do any investigation to determine whether in your opinion, in fact, this perceived cost of litigation was operating as a buyer to-- to Manildra sales in the large granule wheat starch field?

A. We did, yes.

Q. And can you tell us just generally what you did, and then I believe you pulled some information together for us?

A. Yes. What we did was we went through all the documents that we could find that related to

[Hancock Tr. 4485]

the way in which large granule wheat starch is being sold. So we went through call reports, we went through internal memorandums, we went through letters, and we completed an-- an investigation that would seek to support the explanation that there were-- there was this additional cost that the buyers of large granule wheat starch were considering in their purchasing decisions.

Q. And did you do that on a customer by customer basis for the three major customers?

A. We did, yes.

(THEREUPON, an off the record discussion was had).

MR. WALCH: I guess I need a sticker on this.

Q. At this point, Doctor Hancock, I want to ask you if you can identify that which has been marked for Plaintiff's Exhibit 1470?

A. Yes, I can.

Q. And can you tell me what that is?

A. That is a document which takes out excerpts from call reports and letters to illustrate the potential perceived litigation costs associated with purchasing from Manildra.

[Hancock Tr. 4490]

obtaining a larger position with this firm and, of course, forcing us to proceed with patent infringement action."

Q. All right. In all of the years that you've studied in this, have you seen any evidence of sales by Midwest to Moore Business Forms?

A. I have not.

Q. All right. And what's next on the exhibit that-- that you point out that led to your conclusion-- that was significant to you in your conclusion of perceived litigation chart-- costs?

A. The next one is taken from Exhibit 710, and it's a call report wherein Ogilvie visits Moore Business Forms, and again, it's Mr. Peter Calott who-- who is authoring this call report. I would simply make note of the date that we move from 1983 up to 1986. So there's a-- there's a three year gap that we're dealing with here. And at the same time, we're dealing now with-- with Ogilvie as opposed to previously, we were dealing with Henkel.

Q. All right. And what is the next entry? It says, "Jane Lacey's notes," Exhibit 709.

[Hancock Tr. 4491]

A. Well--

Q. Well, first who is Jane-- are you through with--

A. Well, perhaps we would just go into the text briefly here. The text is about considering where to purchase large granule wheat starch, and just to read from it, "We would

be a supplier in addition to Manildra or in place of Manildra. They did raise the subject," they being Moore, "did raise the subject of some of the questioning of their people as to the patent status and hopefully they might decide that they want to stick with us."

Now, again, this is July 10th, 1986, on the very same day, we have notes from a Miss Jane Lacey, who works in the legal department at Moore Business Forms, and her notes say, "Do not pursue per Mike Keller. Will stay with current ratios between Ogilvie and Manildra." So on the same day that the Peter Calott call was made on Moore, someone informs-- that is Mike Keller informs Jane Lacey that they were not to pursue additional purchases from Manildra.

Q. All right. And what is the next one, sir?

[Hancock Tr. 4492]

A. The next one is the same year, August 22nd, 1986. And again, this is Mr. Peter Calott with Ogilvie making a call on Moore Business Forms. Quote, "I again went through our litany on our position in the LGS field and why we have to be a leader," et cetera, et cetera.

Q. What does the-- not what it meant to Mr. Calott, but what does the word litany mean to you, sir?

MR. McANANY: Excuse me, Your Honor, calling for speculation, asking this witness to interpret what's in the letter is contrary to, I think, the Court's ruling on the Motion in Limine.

THE COURT: Overruled. Go ahead and answer that question.

A. I look the word litany up in the dictionary and litany means something that is repeated. It is as if it's in a religious

context where a leader would present something and the congregation would then respond with a set of responses.

Q. All right. Then I believe the last one is September 12, '86, Exhibit 715. Anything in

[Hancock Tr. 4493]

there that caused you to come to the conclusion that there's some perceived added litigation costs out there that are having an impact on this market?

A. Well, first of all, it notes that "Ogilvie has stated that their company holds all patent rights on the use of the starch in carbonless paper and Manildra infringes on this patent." So there is a statement to that effect.

"After consulting with Moore/Legal & Research and Corporate Lawyers, it is unclear that there is any patent infringement. Therefore, it was agreed that Moore maintain a hold harmless agreement with Manildra, but, reviewing Manildra's D & B report, it was found that their financial condition was not strong. This would mean that Moore would be forced into litigation on patent infringement."

One final note on this, the next paragraph says, "Reviewing this carefully National Purchasing-- National Purchasing has decided to restrict use of Manildra M-80 to Moore/Fremont. This has occurred for the past four years." I simply make note of the fact

[Hancock Tr. 4501]

A. The last one, again, we have about a four year gap here going from 1983 to 1987, and this is now Ogilvie who is calling on Meade, and--

Q. Is that the same Mr. Calott?

A. That's correct, Peter Calott. The call report reads, "I also did gently remind him that all the patents have not run out as he had been told by the other supplier."

Q. All right. I want to ask you now, not by what Mr. Calott meant or trying to interpret that document, Doctor Hancock, but in order to have an economic effect is something you have to have rise to the level of quote "threat" in terms of having this phenomenon of the perceived costs you've been describing to us?

A. I would think not. I– I would, I guess liken it to the story of the gorilla. Where does an 800 pound gorilla sit? Anywhere he wants. It's not as if the gorilla has to push someone out of the way. People make way for him.

Q. All right. Now, did you do this same thing with-- well, wait a minute. Before we get to that, I wanted to ask you one other question about Meade by reference to this exhibit.

MR. WALCH: Putting back up Exhibit [Hancock Tr. 4502] 1463, Your Honor.

Q. You know Meade was by far Manildra's biggest customer, what did its-- by reference to the exhibit or otherwise, what did its sales over this 5-year period, '85 to '90, how did they compare with Ogilvie's sales?

A. Well, the size of the pi here identified as Meade Paper for Ogilvie is larger than the size of the pi identified as Meade Paper down here for Manildra. These are, in fact, reproduced accurately so that you can simply compare sizes and know that this amount of purchases by Meade from Ogilvie is larger than this amount of purchases by Meade from Manildra.

Q. In fact, as I look at it, it's almost twice as-- the Ogilvie shape of the pi is almost twice as large?

A. I would say it approaches twice, yes.

Q. All right. Now, in view of that, even though Meade-- even though Meade purchased a substantial quantity of large

granule starch from Manildra in this period of time, would you as an economist conclude that the perceived litigation costs that you've been

[Hancock Tr. 4513]

out of his hands."

Q. And who is Tom Busch?

A. Tom Busch at the time was President of Appleton Papers. And Mr. Kirkpatrick also says, "He," referring to in this case McKinney, "He said, quote, 'it's not worth the candle.'".

Q. All right. Skipping forward, what else is in that exhibit?

A. All right. With respect to Manildra's repeated contacting Mr. Kobierecki at Appleton Papers, "We informed him--and "him" refers to Mr. Errol Johnson who works for Manildra, "We informed him that nothing had changed--that nothing had changed our original decision." The original decision was made, of course, back up here in 1981, shortly after Mr. Kobierecki testified that, "I saw it as a threat."

Q. All right. And the final one in that exhibit?

A. The final item in the exhibit is, "Ogilvie call report of Mr. Peter Calott on Mr. Kobierecki." And the call report states, "We have sincerely felt that two major suppliers in an industry with only limited quantity

[Hancock Tr. 4514]

takes care of the needs." And that was April of 1987.

Q. And that was Mr. Peter Calott of Ogilvie?

A. That is correct, yes.

Q. All right. I think now you can go back up and we'll-- now, these three exhibits that we have just examined, Doctor Hancock, are they all of the empirical evidence that you found as you went through these voluminous files and these

voluminous documents that support your conclusion that there was some perceived added litigation cost that was out there and influencing the conduct of the buyers in this market?

A. Well, they are all of the-- all of the information we were able to put together outside of Manildra itself. Whenever we came up with this explanation, we were-- we were sincerely interested in making sure that it was an appropriate and correct explanation for why it was that Manildra was selling less than anyone else.

And so what we were looking for at this point was we were looking for a test of our explanation, and we tried to come up with a

[Hancock Tr. 4516]

please, Mr. Belman?

Q. Let me ask you before we get into the slides, what-- when you say you meant to validate your theory, you mean you're looking for some empirical evidence, is that what you're talking about?

A. That is correct, yes.

Q. And you believe these-- these demonstrate that to you? Can you tell us what we're going to be looking at?

A. Certainly. Just to set up the motivation behind this, we were thinking about the theory and discussing what it would-- what would we need to find that would validate the theory, and it occurred to us that while in a simplistic fashion, if you could find someone who was unaware of the patent situation and have Manildra try and sell to this person and see what happens, and then introduce the patent information to this individual and see if that information in and of itself would change that person's purchasing

decision. And I believe that we have found that type of-- of an example.

Q. All right.

[Hancock Tr. 4517]

MR. WALCH: Would you put the first memo up, please, Mr. Belman?

MR. BELMAN: Is that 628?

MR. WALCH: It's the September 9-- Exhibit 628. Trial Exhibit 628, Your Honor, which-- oh, no, that's not-- no, that's the wrong one. It's Trial Exhibit--

MR. BELMAN: 714?

MR. WALCH: Well, there's December and I have two Februarys.

MR. BELMAN: Let me show you what we've got. Is this the one you want?

MR. WALCH: Yes. All right. What's the number, please?

MR. BELMAN: It's 714.

MR. McANANY: Do you have a copy of that, Stan?

MR. WALCH: I apparently don't. I thought I did, but I apparently don't. That's why I couldn't find it.

THE COURT: Do you have copy for him, Wayne?

MR. CORRELL: I can give him the original.

THE COURT: 714.

[Hancock Tr. 4518]

MR. WALCH: Maybe Mark can find one. I'm not good at this paper shuffling, I tell you.

Q. All right. That's Trial Exhibit - let me see - 714?

A. Right.

Q. All right. Can you tell us how that particular exhibit has any effect on what you were talking about, about empirically validating your findings?

A. Well, this is a call report written by John Wansick, again, who works for Manildra, and he went to Moore Business Forms, and it was on or around September the 11th, 1986, and he-- he spoke with a Ron Edwards and a John Bohland at Moore Business Forms in Fremont, and his comments simply are, "I learned the reason they took on another M-80 supplier," in this case Ogilvie, "was because of the so-called patent position involved."

Now, that's-- that's the information we get from this-- from this call report. And that's again just simply making note of the fact September 11th, 1986, he spoke with Ron Edwards and John Bohland.

[Hancock Tr. 4519]

Q. All right. And that relates, of course, to what you were talking about, this perceived--

A. Well, that--

Q. -- cost?

A. That would be a situation where both Ron Edwards and John Bohland were aware that there was a, quote, "patent situation."

Q. All right. And the next exhibit is Trial Exhibit 747, and that's another one of these Wansick exhibits?

A. It is.

Q Same call report.

A. Right.

Q. And what's different about-- if anything, about this one?

A. Okay. First of all, we have a three months lapse in time. We go from September 11th of '86 to December 19th of '86. It is, again, to Moore Business Forms and it is, again, to the Fremont plant. It's, again, by a John Wansick, but in this case, Mr. Wansick visits with a Ray Crusic, a plant engineer, who did not show up in the prior call report.

Now, they go through a discussion of the prices and the last four lines read-- well,

[Hancock Tr. 4520]

let me see here. Yeah. "However, in bags M-80 is $28, the best deal of all. Ray plans to investigate the possibility of getting all their bags--" excuse me, "all their bag starch from Manildra from now on." He said his boss is behind him. "So we'll see what happens." So this is a very upbeat report from Mr. Wansick on December the 19th, [illegible] three months after he was told that there is a patent problem at the Moore Fremont plant. So then we move--

Q. Well, what significant, he's dealing with the same company. I mean he--

A. Same company, same-- even the same location that's--

Q. What's different?

A. Well, the difference is he's talking to a Mr. Ray Crusic who gets excited about the potential savings on Manildra's M-80, that is the large granule wheat starch, and he's going to pursue it. He's going to find out if Fremont can't buy all of their M-80 from Manildra.

Q. Okay. Is this testing your theory, someone who might not know about the-- the patent

[Hancock Tr. 4521]

situation?

A. I believe this satisfies the criteria of finding somebody who is not aware of the patent situation at this point, yes.

Q. All right.

MR. WALCH: Then the last exhibit, Mr. Belman, is 752.

MR. BELMAN: 752

MR. McANANY: Stan, do you have a copy, please?

Q. And that's dated February 2, 1987. Can you tell us what that is?

A. Okay. Again, the date is important. It's-- from December 19th to February 2nd, a little more than a month, a month, maybe 6, 7 weeks. It's again a call report by Mr. Wansick on Moore Business Forms at the Fremont plant and again he visits with Mr. Ray Crusic.

And basically the comments is, and you can read it for yourself, "I was told that even though M-80 is priced lower than the Ogilvie product, their home office has allowed them to only buy 50 percent of their requirements from Manildra due to the legal ramifications involved. Of course, once the

[Hancock Tr. 4522]

suit is settled favorably, he advised they would buy all their requirements from Manildra; and, some of their other plants would also entertain a similar notion. Please keep us abreast of this-- about these developments."

So again, this-- this is kind of the final call report wherein Mr. Wansick says we almost had a sale, but it didn't happen because of the legal ramifications involved.

Q. And would Mr. Crusic be the-- when you were saying you were looking for a surrogate in the market of someone who initially didn't know about the patents and later knew about

them, and that entered into the buying decision, would he be that surrogate you were talking about?

A. I believe so, yes.

Q. All right. So that sort of is empirical evidence validating your other findings on this subject?

A. Yes, it is.

Q. So if I understand, is it your ultimate conclusion that if Manildra has not infringed Ogilvie's patent rights, then-- Ogilvie's

[Gregory (Mot. for Dir. Verdict) Tr. 7267]

proposition.

So in the absence of bad faith, in the absence of bad faith, the patent holder has the unconditional right to assert or threaten litigation. Therefore, in this case the question is not whether Ogilvie asserted or even threatened to enforce its patent rights, the question is whether in doing so it acted in good faith believing the patents to be valid and enforceable. On that question, the record supports only one conclusion, that Ogilvie acted properly, both in words and deeds.

The evidence shows that when an Ogilvie employee told of carbonless copy paper manufacturer that Ogilvie stood ready to enforce its rights, this underscored Ogilvie's reliance on the validity and enforceability of the patents.

Examples from the record of Ogilvie Mills belief of that validity and enforceability of the patents is overwhelming, I should say, are overwhelming. For example, Peter Calott, who was an Ogilvie salesman, told the carbonless copy paper makers that Ogilvie had quote,

[Gregory (Mot. for Dir. Verdict) Tr. 7268]

"valid patents and we would protect them as we see fit." The trial record at 2165. He said his litany to carbonless

paper makers was that Ogilvie purchase the business and patents and made an investment in the business, trial record at 2173. He told Michael Keller of Moore Paper that Ogilvie has the patent rights, that's trial record 3743 and 3744, all legitimate statements. None of them is actionable.

Bob Dunn, Ogilvie's vice-president, according to Mr. Calott told Ted Crow of Moore that the patents were valid, that's trial record 1506, and that Ogilvie had an exclusive license with-- with Midwest, trial record 1513. According to Mr. Calott, Mr. Dunn told John Curtis of Mead that the patents were valid and that we would protect them if necessary, and that's trial record 2181.

Ogilvie salesman also told Michael Keller, a buyer for Moore, that Ogilvie had the quote, "use and process patents on large granule wheat starch and that Ogilvie has the rights from Henkel," trial record 3712, 14. Mr. Calott told Mr. Keller that all patent

[Gregory (Mot. for Dir. Verdict) Tr. 7269]

license agreements are still in effect as of June of 1985, and that Manildra was not licensed, trial record 3729 to 30. And finally, Mr. Honan testified that Errol Johnson reported that Ogilvie told its customers that Ogilvie owns valid and enforceable patents, trial record 766.

The Manildra damage expert, Mr. Hancock, abandoned the third party complaints allegations of threat and coercion. He said the following at trial record 4682 to 84, "I was aware that testimony of John Curtis denying that Ogilvie ever threatened Mead that specifically relates to threats, and I'm not sure that I require that a threat be made. The bottom line is that there would be costs over and above the price of large granule wheat starch if you purchased from Manildra, and may I suggest an alternative

to the word threat, perhaps the words Ogilvie's position on the patent would be a good phrase instead of threat. Those words I saw time and again from Ogilvie's sales people when they made claims. We expressed our position on the patent to the buyer, and that's simply making

[Dunn Tr. 8040]

not ever tell a customer that either Henkel or Ogilvie held the patents on the large granule wheat starch?

A. We did. We informed them that we acquired them from Staley.

Q. Nothing to do with why you did it, I'm sure from your perspective your motives were sound. Just the fact is you did it. You or your sales staff also--

MR. GREGORY: Is that a question, Your Honor?

THE COURT: Ask your question, Mr. Walch. Go ahead and ask your question.

Q. You or your sales staff also have from time to time either in response to a question or on your own initiative told them-- told certain customers that you thought Manildra was infringing those patents?

A. If they asked the questions and would bring up the subject of Manildra, we would try and answer those questions as honestly as we knew how.

Q. All right. And on those occasions, you did tell then that Manildra-- you thought Manildra was infringing the patent?

[Dunn Tr. 8041]

A. I-- I may have.

Q. All right. And you also advised the customers from time to time, regardless of whether they asked a question or you initiated it, that Midwest was the only licensee?

A. Yes, we did.

Q. Okay. And also from time to time you and others have made statements to the customer to the effect that although you'd hate it, this situation could lead to a lawsuit, or words to that effect?

A. No, I think you're changing that a bit. What we told them that-- in that reference was that if a lawsuit were to acquire-- to occur, much as we wouldn't like it, a customer might be drawn in as a witness.

Q. All right. At least you told them that?

A. Yes.

Q. Now, also-- and we've been through this earlier today, without getting into the service and all of the other factors, you at least agree with me that the patents have been-- the existence of the patents have been a factor in enabling Ogilvie to enjoy a much larger market share than Manildra despite

[Ex. 684]
OGILVIE

March 19, 1985

Mr. Michael J. Keller
Moore Business Forms
1205 Milwaukee Ave.
Glenview, IL 60025

Dear Mike:

This is to confirm our conversation regarding the license granted to Midwest Solvents Inc. for the sale of large granule wheat starch for carbonless copy manufacture. Midwest has completed all royalty payments to Henkel and is a fully paid licensee authorized to continue its sale of this specific starch product.

All the patents and technologies in this area have been acquired by Ogilvie Mills, Ltd. with its purchase of Henkels' Food Ingredients Division. Should there be any other situations that are similar in the future then the matter would be referred to Ogilvie.

I trust this clarifies any doubts you may have had. Enjoyed visiting with you last week and hope next time Paul will be available.

Kind Regards,

Peter Calott
Director of Sales
Industrial Starches

[Ex. 697]

cc: R. J. Dunn Peter Calott

CALL REPORT

Moore Business Forms
Glenview, IL

DATE OF CALL: January 31, 1986

PERSONNEL CONTACTED: Mr. Richard Kay, Purchasing Manager
Mr. Michael Keller, Buyer

We had a very fine reception at this firm who thinks well of Ogilvie. Mike Keller reminded me that we did show an increase in business throughout all their locations as he had promised we would earlier in the year. They were pretty much on plan on their forecasts. In discussing this coming year, he though it would be about the same but also did mention they might be having somewhat of an increase in production at Freemont, OH plant. That is a plant we do not supply. There is a slight possibility this increase might come at the expense of the Honesdale operation. If at all possible he said he would certainly maintain our position or show us a slight increase.

He questioned me as to how would we like to see the increase of Freemont handled, would it be to continue to give Manildra more or give that increase to Midwest Solvent. We, of course, mentioned

it was naturally their company to run as they see fit but we reminded them that Midwest Solvents is the approved licensee. The problem Keller has is Midwest is not making any effort to call on Moore.

New Information

This information came to me just as I was writing the report on February 13. Mike wanted to let me know that Manildra had lowered the price at the Freemont operation. We, of course, thought they were somewhat lower than ours right along, but apparently they have reduced it again. He indicated that reduction was in a range of 10 to 12%. He wanted to keep me apprised of what was going on. I, of course, indicated we didn't feel this was a legitimate competitive situation and we do not intend to meet it. He again reminded me this was just a matter of information for us, not necessarily we should be competitive. Nevertheless it does indicate they are getting more conscious on pricing in general. As a matter of fact they asked us to see if we can supply product to Japan and France and would like prices from us delivered to both locations. I thought France was out but we can quote on Japan.

[Ex. 713]

CALL REPORT

Moore Business Forms
Glenview, IL

DATE OF CALL: August 22, 1986

PERSONNEL CONTACTED: Mike Keller, Asst. Purchasing Director

SUBJECT: Manildra

This is the first time that Mike Keller has brought up Manildra in a specific manner. He pointed out that they plan to start sharing the business with us at the Fremont, OH operation, which would put us in direct competition with Manildra. He said at this point, we still are selling at a much higher level, which puts a penalty on the plant. I again went through our litany on our position in the LGS field and why we have to be a leader, etc., etc. He commented that Manildra has given them a hold harmless letter regarding any possible violations of patents.

Secondly, Manildra apparently has expanded their facilities for making LGS starch, or at least that is what they have advised Mike Keller. They are looking for more of the business, or at least the expanded business at Fremont, OH. Mike indicated that the price differential is about $0.50 per pound, which seemed high to me. I advised Mike we would give it some thought, but assured him we would not be competitive throughout the Moore organization with

this type of differential. Perhaps one way we might get out of this dilemma is to agree to be competitive at Fremont, OH only, and then nail Mike down for the exact pricing to insure that we are giving nothing away.

SUBJECT: Bulk Handling

Apparently, Jerry Robinson at their Visalia, CA operation is interested in the bulk handling of Keestar 328. I pointed out to Mike it's very unlikely that this would be economical for them. We discussed the possibility of using cardboard totes, but they weren't sure how they would be handled. I explained to him that we do have the Superbag concept, but event at that, I'm not sure that it would be worth it for them to proceed. Mike asked me to discuss this with Jerry Robinson.

SUBJECT: Ogilvie C-125 vs. Penford Gum 290

Again we've been asked to try to supply them a match for Penford 290. I pointed out to Mike that I'm waiting for our lab work to be completed, to see whether or not we can provide a product at high solids that does not have the setback which I'm afraid our C-25 might have. If this work looks at all interesting, I will then work this situation back with Rod Williams of Fremont, OH.

[Ex. 714]

SALESMAN'S CALL REPORT

Date: Sept. 11, 1986

Firm: Moore Business Forms

St. Address: Industrial Park

City: Fremont State: Ohio

Party Seen: Ron Edwards - PA; John Bohland - Process Engr.

Comment: I learned the reason they took on another "M-80" supplier (in this case Ogilvie) was because of the so-called patent position involved. The first T/L load of "O's" stuff was received recently, we will be on an alternating basis every other month until the second coater comes on stream. It is scheduled to start up in November, 1986. Once it is "ironed" out and "debugged", the use of "M-80" will be 2 T/L per month. So, we should be back on a T/L per mo. basis in a few months.

Salesman: John Wansik

[Ex. 715]

September 12, 1986

C.J. Zgonce
Director of Purchasing

Re: Manildra M-80 Starch

Charlie:

Manildra M-80 is utilized in CB compounding. Ogilvie Keestar 328 Starch is a comparable product that is also quali[f]ied and used. Ogilvie has stated that their company holds all patent rights on use of starch in carbonless paper and Manildra infringes on this patent.

After consulting with Moore/Legal & Research and Corporate Lawyers, it is unclear that there is any patent infringement. Therefore, it was agreed that Moore maintain a hold harmless agreement with Manildra, but, reviewing Manildra's D&B report, it was found that their financial condition was not strong. This would mean that Moore would be forced into litigation on patent infringement.

Reviewing this carefully, National Purchasing decided to restrict usage of Manildra M-80 to Moore/Fremont. This has occurred for the past 4 years. Now that Fremont will start producing more MCP, it was decided to split the business between Manildra and Ogilvie to avoid any implications. Manildra was advised that Moore wished to maintain two sources of supply at the Fremont plant.

Recently, I have been advised by John Bohland of Fremont that Manildra is seeking suit against Ogilvie for restraint of trade.

Mike Keller

[Ex. 747]

SALESMAN'S CALL REPORT

Date: Dec. 19, 1986

Firm: Moore Business Forms

St. Address: Industrial Park

City: Fremont State: Ohio

Party Seen: Ray Krusic - Plant Engr.

Comment: In their quest to justify the cost of a bulk handling system for their starches, which includes the ethylated corn as well as the M-80, they learned that corn starch is a better deal buying in bulk. Wheat starch is not.

Ray advised they are paying $29/cwt for Keestar starch and nobody seems to know why they continue to buy at this price. In bulk the price would be 1.25 less or 27.75; add 1.82 for freight = 29.57. M-80 in bulk would be 25.50 + 3.00 (frt) - 28.50 which is the better deal. However, in bags M-80 is 26.00 + 2.00 = 28.00, the best deal of all. Ray plans to investigate the possibilities of getting all their bag starch from Manildra from now on. He said his boss is behind him. So, we'll see what happens.

Salesman: John Wansik

[Ex. 752]

SALESMAN'S CALL REPORT

Date: Feb. 2, 1987

Firm: Moore Business Forms

St. Address:

City: Fremont State: Ohio

Party Seen: Ray Krusic - Project Engr.

Comment: I was told that even though M-80 is priced lower than the Ogilvie product, their Home Office has allowed them to only buy 50% of their requirements from Manildra due to the legal ramifications involved.

Of course, once the suit is settled favorably, he advised they would buy all their requirements from Manildra; and, some of their other plants would also entertain similar notions.

Please keep us abreast of these developments.

Salesman: John Wansik

[Ex. 775]

Ogilvie Mills, Inc.
Intra-Company Correspondence

cc: R.J. Dunn
R.L. Wutter

FROM Peter Calott DATE 7/2/87

TO Dave Clark

SUBJECT KEESTAR 328-MOORE BUSINESS, FREEMONT OHIO

Initially the reason for writing this memo was instigated by the complaint of the above customer on a recent shipment of Keestar 328. They called and advised that they felt that there was a large amount of "trash" which was fibrous in recent shipments of Keestar 328. They could not use the remainder of the shipment.

Samples were sent to my attention and Rich Nutter's and upon analysis the comments from Gene and Rich were that this was normal production. That may be the case, but Dave, if this is normal production, I suspect we are going to be in trouble.

We decided to carry on a little experimenting up here at the labs in Minnetonka and I am enclosing five examples of fiber collected from various samples. The samples are as follows:

A. Keestar 328, Lot 7155B

B. Aytex P, Lot 7049B
C. Keestar 328, Lot 6197B
D. Manildra LGS
E. Aytex P, Johnson Street Plant, 8 Years old

The test was run by slurring 100 grams of the starch sample, approximately 300 cc of water, this was then passed through a 120 mesh screen. The residue on the screen was washed down with a filter bottle onto a Buchner funnel. The enclosed filter papers tell you the story.

I don't really believe that lot 7155B can be what one can call normal production and that this has been going on for a long period of time. You will note that sample A is the lot on which we received the complaint, produced about the middle of May 1987; sample B is just Aytex P produced the later part of February 1987; sample C is Keestar 328, lot 6197B produced about the middle of July 1986. Please note the trend on fiber present from the middle of last year to our current production.

Unfortunately sample D is the Manildra starch which is the alternate supply at this Moore location. This does not bode well for us. We threw in sample E to make you feel better as that is the way it used to be in the old Johnson Street plant many, many years ago.

My concern Dave is that I don't mind having product that isn't good on occasions, we can always get around those complaints. My concern is that Rich Nutter and Gene Baker consider lot 7155B standard current production. I would have extreme difficulty going back to Moore at Freemont with that story and expect them to purchase product from us when they can get what Manildra has to offer. Furthermore, my greater concern is that the Freemont plant

is the technical center for the entire Moore organization and they may very well be inquiring of other Moore plants - do they ever have problems with fiber or dirt from Ogilvie. This could become serious.

Perhaps at this point it may be difficult to take corrective steps but it is very evident that they will have to be taken. It seems to me Dave, we should look back to see what was going on last summer when the Keestar produced then was virtually equivalent to what Manildra is producing now. Something apparently has changed or has been altered, perhaps it was done for the better, but as you can see we may get away with this for a while longer but I don't think that in the long run we will be able to talk our way out of high fiber in our Keestar 328.

We urge you to give this your most serious thoughts and let us know how we can help in any way with our customers or with our facilities at Minnetonka.

[Memo JMOL]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

MANILDRA MILLING CORPORATION,	)	
	)	
Plaintiff,	)	
	)	
v.	)	
	)	
OGILVIE MILLS, INC.,	)	
	)	
Defendant, and	)	
Third Party Plaintiff	)	Civil Action No.
	)	86-2457-S
v.	)	
	)	
HENKEL CORPORATION and	)	
HENKEL OF AMERICA, INC.,	)	
	)	
Defendants and	)	
Third-Party Defendants.	)	

REVISED MEMORANDUM OF POINTS
AND AUTHORITIES IN SUPPORT OF RENEWED
MOTION FOR JUDGMENT AS A MATTER OF LAW

* * *

[Memo JMOL page 47]

Manildra did not call on Nashua or Boise Cascade, and there is no evidence of Komanecky or Wilbur making disparaging comments about Manildra, malicious or otherwise, to those customers. The same can be said about Mead, a customer that purchased from Manildra and was called upon by Calott on behalf of Ogilvie.

Further, as stated above, there is a presumption that Ogilvie had a good faith belief in the validity of the patents and that infringement had taken place. This presumption can only be set aside by clear and convincing evidence. All evidence showed that Ogilvie held such a good faith belief.

In sum, there is a total lack of evidence to establish that any of the Ogilvie salesmen knew or believed that the patents were invalid, or knew or believed that the patents were not infringed by Manildra, but, with actual malice, stated to the contrary. As discussed elsewhere in this memorandum, the only possible conclusion that could be drawn from the evidence was that the Ogilvie salesmen had a good faith belief that the patents were valid and infringed by Manildra and so stated to customers. Ogilvie was entitled to comment that the patents were valid and that they were being infringed, not only because of the good faith belief that there were true statements, but also because Ogilvie's conduct is entitled to the qualified privilege accorded a competitor.

[Ogilvie Appeal Brief]

BRIEF FOR DEFENDANT/APPELLANT OGILVIE MILLS, INC.

IN THE

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

Appeal Nos. 92-1462, -1480

MANILDRA MILLING CORPORATION,
Plaintiff/Cross-Appellant,
v.
OGILVIE MILLS, INC.,
Defendant/Appellant,
v.
HENKEL CORPORATION AND HENKEL OF AMERICA, INC.
Third-Party Defendants,
and
JOHN THOMAS HONAN,
Counterclaim Defendant.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

[Ogilvie Appeal Brief page 53]

John Howell was not an expert within the meaning of Federal Rule of Evidence 702 on technical matters such as subsieve tests, air classification, and particle size distribution. Howell had expertise in, and was allowed to testify, about patent law. By allowing him to testify as an expert about the technical issues, the jury was misled to think that Howell was authoritative in these fields as well. He was not. His testimony was highly prejudicial. He stated incorrect principles in the technical areas, errors which the jury could not discern. Therefore, the jury blindly accepted the errors as if they were educated opinions. The Court's improper admission of Howell's testimony on such matters constitutes reversible error.

III. THE LANHAM ACT AND STATE TORT LAWS WERE NOT VIOLATED

A. OGILVIE SHOULD HAVE RECEIVED JUDGMENT AS A MATTER OF LAW ON THESE CLAIMS

Virtually the entire case was tried on Manildra's claims of inequitable conduct, violation of the federal antitrust laws, and patent misuse. The jury found in favor of Ogilvie on all of these issues. There was no testimony at the trial regarding the Lanham Act or the torts of injurious falsehood or interference with a prospective economic interest. The Court should not have instructed the jury on these claims. Ogilvie should have been granted judgment as a matter of law.

The Lanham Act has no application. The Act concerns false statements. Here, Manildra claims that Ogilvie misrepresented that

the Patents were valid and infringed. Yet, Ogilvie had a right to say just that. There was no adjudication to the contrary. The law presumes such statements are made in good faith.

[Ogilvie Reply Brief on Appeal]

REPLY BRIEF FOR DEFENDANT/APPELLANT OGILVIE MILLS, INC.

IN THE

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

Appeal Nos. 92-1462, -1480

MANILDRA MILLING CORPORATION,
Plaintiff/Cross-Appellant,
v.
OGILVIE MILLS, INC.,
Defendant/Appellant,
v.
HENKEL CORPORATION AND HENKEL OF AMERICA, INC.
Third-Party Defendants,
and
JOHN THOMAS HONAN,
Counterclaim Defendant.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF KANSAS

[Ogilvie Reply Brief on Appeal page 29]

v. Crippen Pipe Fabrication Corp., 402 F.Supp. 838, 847, 187 USPQ 746, 752 (E.D.N.Y. 1975), held:

> There can be no 'falsity' about the patent; its existence is a fact and by law it must be presumed valid until its invalidity is established by a party contesting it, 35 U.S.C. § 282, and the Lanham Act does not provide a jurisdictional basis for such a contest.... [The patentholder's] communications or negotiations regarding the patent with ... prospective customers ... are in no sense the false advertising at which the Lanham Act was aimed.

Similarly, Chromium Industries, Inc. v. Mirror Polishing & Plating Co., 448 F.Supp. 544, 199 USPQ 146, 157 (N.D. Ill. 1978), held that a Lanham Act claim cannot be based on statements about the coverage and validity of a patent, because the patentholder "can hardly deceive its customers about its patent rights when the patent is presumptively valid." Id. at 557.

The Lanham Act claim should not have been given to the jury.

B. THE PRESUMPTION OF GOOD FAITH APPLIED TO THE TORT CLAIMS

The state tort claims should not have gone to the jury because Manildra did not show by clear and convincing evidence that Ogilvie acted in bad faith in stating its belief in the Patents' validity and in Manildra's infringement.

The presumption that Ogilvie acted in good faith applies to Manildra's tort claims for the same reasons that it applies to antitrust claims. The patentholder is presumed to have a good faith belief in both the patent's validity and the infringement of the accused party, which can be overcome only by clear and convincing

evidence. Loctite Corp. v. Ultraseal, Ltd., 781 F.2d 861, 877, 228 USPQ 90, 101 (Fed. Cir. 1985); Handgards, Inc. v. ...

TABLE I

Federal Circuit Treatment of
Jury Verdicts on Appeal
Since 1988

Case	Overturned Jury Verdict	Upheld Jury Verdict
Collins Licensing, L.P. v. AT&T, No. 92-1201, -1294, 1993 U.S. App. LEXIS 29093, (Fed. Cir. Nov. 5, 1993)	X	
Technology for Energy Corp. v. Computational Systems, Inc., No. 92-1542, -1551, 1993 U.S. App. LEXIS 24556, (Fed. Cir. Sept. 21, 1993)		X
Mendenhall v. Cedarapids, Inc., 5 F.3d 1557, 1576 (Fed. Cir. 1993)	X	
C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc., No. 92-1372, -1402, 1993 U.S. App. LEXIS 22042 (Fed. Cir. August 31, 1993)		X

Case	Overturned Jury Verdict	Upheld Jury Verdict
Texas Instruments, Inc. v. Cypress Semiconductor Corp., No. 92-1530, 1993 U.S. App. LEXIS 19639 (Fed. Cir. July 27, 1993)		X
Manildra Milling Corp. v. Ogilvie Mills, Inc., No. 92-1462,-1480, 1993 U.S. App. LEXIS 16230, (Fed. Cir. June 22, 1993)	X	
Arcade, Inc. v. Minnesota Mining and Manufacturing Company, No. 91-1458, -1459, 1993 U.S. App. LEXIS 14976 (Fed. Cir. June 16, 1993)		X
Wang Laboratories, Inc. v. Toshiba Corporation, 993 F.2d 858 (Fed. Cir. 1993)		X
Gaska Tape, Inc. v. Pres-On Products, Inc., No. 92-1271, 1993 U.S. App. LEXIS 10912, (Fed. Cir. May 5, 1993)		X
Goodwall Construction Company v. Beers Construction Company, 991 F.2d 751 (Fed. Cir. 1993)		X

Case	Overturned Jury Verdict	Upheld Jury Verdict
In Re Hayes Microcomputer Products, Inc. Patent Litigation, 982 F.2d 1527 (Fed. Cir. 1992)		X
John H. Ernster and Excelpro, Inc. v. Ralston Purina Co., No. 91-1270, -1271, -1281, 1992 U.S. App. LEXIS 26507 (Fed. Cir. Oct. 13, 1992), cert denied, 123 L.Ed.2d 472, __ U.S. __ (1993)	X	
Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555 (Fed. Cir. 1992)		X
Oiness v. Walgreen Company, No. 91-1467, -1496, 1992 U.S. App. LEXIS 26505 (Fed. Cir. Oct. 8, 1992), cert denied, 123 L.Ed.2d 473, __ U.S. __ (1993)	X	
Steven P. Shearing v. Iolab Corporation, 975 F.2d 1541 (Fed. Cir. 1992)		X
Braun Inc. v. Dynamics Corporation of America, 975 F.2d 815, 822-23 (Fed. Cir. 1992)	X	

Case	Overturned Jury Verdict	Upheld Jury Verdict
Arachnid, Inc. v. Medalist Marketing Corporation, 972 F.2d 1300 (Fed. Cir. 1992)		X
Jerome H. Lemelson v. Champion Spark Plug Company, No. 91-1511, 1992 U.S. App. LEXIS 17184, (Fed. Cir. July 13, 1992)		X
Read Corp. v. Portec, Inc., 970 F.2d 816, 825 (Fed. Cir. 1992)	X	
Clem Environmental Corporation v. American Colloid Company, Inc., No. 91-1507, 92-1012, 1992 U.S. App. LEXIS 16584 (Fed. Cir. July 9, 1992)		X
Jerome H. Lemelson v. General Mills, Inc., 968 F.2d 1202 (Fed. Cir. 1992), cert denied, 122 L.Ed.2d 131, __ U.S. __ (1993)	X	
Malta v. Schulmerich Carillons, Inc., 952 F.2d 1320 (Fed. Cir. 1991), cert denied, 119 L.Ed.2d 566 (1992)	X	

Case	Overturned Jury Verdict	Upheld Jury Verdict
Tol-O-Matic, Inc. v. Proma Produkt-Und Marketing, 945 F.2d 1546 (Fed. Cir. 1991)	X	
Modine Manufacturing Company v. The Allen Group, Inc., 917 F.2d 538 (Fed. Cir. 1990), cert denied, 114 L.Ed.2d 103, __ U.S. __ (1991)		X
New Idea Farm Equipment Corporation v. Sperry Corporation, 916 F.2d 1561 (Fed. Cir. 1990)		X
Karol W. Vanzant v. R.L. Products, Inc., 915 F.2d 1583 (Fed. Cir. 1990)		X
Wilson Sporting Goods Co. v. David Geoffrey & Associates, 904 F.2d 677, 685 (Fed. Cir.), cert denied, 498 U.S. 992 (1990)	X	
Senmed, Inc. v. Richard-Allan Medical Industries, Inc., 888 F.2d 815, 821-26 (Fed. Cir. 1989)	X	
Lear Siegler, Inc. v. Sealy Mattress Company of Michigan, Inc., 873 F.2d 1422, 1426 (Fed. Cir. 1989)	X	

Case	Overturned Jury Verdict	Upheld Jury Verdict
Sun Studs, Inc. v. ATA Equipment Leasing, Inc., 872 F.2d 978, 993 (Fed. Cir. 1989)	X	
Wahpeton Canvas Company, Inc. v. Frontier, Inc., 870 F.2d 1546 (Fed. Cir. 1989)		X
Richardson v. Suzuki Motor Co., Ltd., 868 F.2d 1226 (Fed. Cir.), cert denied, 493 U.S. 853 (1989)		X
Snellman v. Ricoh Company, Ltd., 862 F.2d 283 (Fed. Cir. 1988), cert. denied, 491 U.S. 910 (1989)		X
Lummus Industries, Inc. v. D.M. & E. Corporation, 862 F.2d 267 (Fed. Cir. 1988)		X
Dana Corporation v. IPC Limited Partnership, 860 F.2d 415, 419-20 (Fed. Cir. 1988), cert. denied, 490 U.S. 1067 (1989)	X	
The Proctor & Gamble Company v. IPC Limited Partnership, 862 F.2d 320 (Fed. Cir. 1988)		X

Case	Overturned Jury Verdict	Upheld Jury Verdict
Sjolund v. Musland, 847 F.2d 1573 (Fed. Cir. 1988)	X	
Allen Organ Company v. Kimball International, Inc., 839 F.2d 1556, 1565, 1568 (Fed. Cir.), cert. denied, 488 U.S. 850 (1988)		X

(2)

FILED
JAN 20 1994
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No. 93-973

In The

Supreme Court of the United States

October Term, 1993

MANILDRA MILLING CORPORATION,

Petitioner,

v.

OMI HOLDINGS, INC.,

Respondent.

On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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LIST OF PARTIES

The list of parties presented by Petitioner Manildra Milling Corporation ("Manildra") is essentially correct in most respects. However, Respondent OMI Holdings, Inc. is not a successor in interest to Ogilvie Mills, Inc., the Defendant in the District Court proceedings. Instead, OMI Holdings, Inc. is the new name of the corporation previously named Ogilvie Mills, Inc.

RULE 29.1 LIST OF PARENT COMPANIES

OMI Holdings, Inc. is a wholly owned subsidiary of a wholly owned subsidiary of John Labatt, Inc. OMI Holdings, Inc. has no subsidiaries.

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SUMMARY OF ARGUMENT

The Petition does not raise a constitutional issue, because the motion for judgment as a matter of law is a well-established procedure which does not inherently interfere with the right to civil jury trial.

The Federal Circuit properly granted OMI's motion for JMOL on the Lanham Act and tort counts, because substantial evidence was not presented to support the elements of those claims which require a showing that OMI knowingly made false accusations that Manildra had infringed OMI's patents. The few isolated portions of the record cited by Manildra cannot support reasonable inferences sufficient to permit a reasonable jury to find in Manildra's favor on those elements.

In addition, Manildra failed the stricter evidentiary standard which could have been applied to its claims. To prevent a collision between the patent laws on the one hand and either the Lanham Act or state law on the other, a patentee's patent-enforcement efforts should create liability under those other laws only if the challenger demonstrates that patent misuse or inequitable conduct occurred by clear and convincing evidence. Manildra failed to meet this stricter standard.

ARGUMENT

I. THERE IS NO SEVENTH AMENDMENT ISSUE.

Manildra accuses the Federal Circuit of failing generally to give appropriate deference to verdicts entered by juries in complex lawsuits and of failing particularly to

defer to the verdict entered in this case. Manildra's complaint appears to be more directed to the very existence of the motion for judgment as a matter of law, rather than to the Federal Circuit's application of that procedure in this case.

Manildra's Petition for Writ of Certiorari (the "Petition") claims, without citation or discussion of authority, that entering judgment as a matter of law denies civil litigants their Seventh Amendment right to trial by jury. The Seventh Amendment states:

> In Suits at common law . . . the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

U.S. CONST. amend. VII.

The Court has repeatedly held that the procedures known at various times as the motion for directed verdict, the motion for JNOV, and now the motion for judgment as a matter of law ("JMOL") are an essential part of "the rules of the common law" which the Seventh Amendment expressly incorporates. *Galloway v. United States*, 319 U.S. 372, 390-96 (1943). The Court has also confirmed, in *Neely v. Martin K. Eby Construction Co.*, 386 U.S. 317, 322 (1967), that a JNOV may constitutionally be entered in the first instance by an appellate court:

> As far as the Seventh Amendment's right to jury trial is concerned, there is no greater restriction on the province of the jury when an appellate court enters judgment *n.o.v.* than when a trial

court does; consequently, there is no constitutional bar to an appellate court granting judgment *n.o.v.*

The JMOL, under its current and previous names, has been used to remove from the jury's consideration any claim on which there is no genuine factual controversy for the jury to address. It protects the right of a defending litigant not to have an unsubstantiated claim presented to the jury, a right worthy of protection equivalent to the right to have a legitimate factual dispute presented to a jury. *Galloway, supra,* held: "The [Seventh] Amendment was not framed or adopted to deprive either party of either right. It is impartial in its guaranty of both. To posit assertion of one upon sacrifice of the other would dilute and distort the full protection intended." 319 U.S. at 393.

Manildra claims that the Federal Circuit has exceeded the bounds of this procedure by engaging in "overly aggressive fact-finding" in this case and others. Manildra's Petition ("Man. Pet.") at 7. The Federal Circuit actually held, however, that there is an *absence* of evidence to support the critical elements of Manildra's Lanham Act and tort-law claims in this case. See Manildra's Appendix ("Man. App.") at 19a. Finding that no relevant facts were proved is very different from finding new facts different from those the jury found.

Manildra's Petition has isolated five items of evidence from which it believes a reasonable jury could have drawn an inference that OMI had knowingly or wrongfully accused Manildra of infringing OMI's patents (the "Patents"). In other words, for those five items, Manildra simply disagrees with the Federal Circuit. Manildra

believes this evidence could support reasonable inferences leading to a favorable conclusion, and the Federal Circuit held that it could not. The Federal Circuit held that Manildra's proffered interpretations of the evidence, rather than being reasonable inferences, were instead hindsight speculation tailored to justify the unfounded jury verdict. This result was well supported by the record and was, therefore, well within the strictures of the Seventh Amendment. As a result, it is unnecessary for the Court to grant certiorari in this matter.

II. THE FEDERAL CIRCUIT PROPERLY REFUSED TO ACCEPT SPECULATION IN THE PLACE OF REASONABLE INFERENCES.

The essential difference between a case which warrants a jury's consideration and one that does not is that a jury is permitted to find facts if inferences could reasonably be drawn from the evidence, but it is not permitted to take the case if inferences could be drawn only by the use of speculation. The Court held in *Galloway, supra*, 319 U.S. at 395:

> It hardly affords help to insist upon "substantial evidence" rather than "some evidence" or "any evidence," or vice versa. The matter is essentially one to be worked out in particular situations and for particular types of cases. Whatever may be the general formulation, the essential requirement is that mere speculation be not allowed to do duty for probative facts, after making due allowance for all reasonably possible inferences favoring the party whose case is attacked.

Manildra's Petition cites a series of the Court's decisions in cases involving the Federal Employers Liability Act and the Jones Act which overturned lower-court decisions imposing proof requirements for causation that interfered with those statutes' remedial purposes. In each of those cases, however, the Court reaffirmed the principle that a jury verdict based on circumstantial evidence can stand only if that evidence could permit a jury reasonably to reach its conclusion, without conjecture. *Rogers v. Missouri P.R.R. Co.*, 352 U.S. 500, 506-07 (1957) ("Judicial appraisal of the proofs to determine whether a jury question is presented is narrowly limited to the single inquiry whether, *with reason*, the conclusion may be drawn that negligence of the employer played any part at all in the injury or death"); *Schulz v. Pennsylvania R.R. Co.*, 350 U.S. 523, 526 (1956) (jurors' conclusions are to be based on evidence "from which inferences can *fairly* be drawn"); *Tennant v. Peoria & P.U.R. Co.*, 321 U.S. 29, 32-33 (1944) (quoted in *Gallick v. Baltimore & Ohio R.R. Co.*, 372 U.S. 108, 114-15 (1963)) (probative facts must be presented from which negligence and causation "could *reasonably* be inferred") (emphasis added).[1]

The Federal Circuit's ruling, which overturned only a portion of the jury's verdicts, was consistent with *Galloway, supra*, and with these FELA and Jones Act cases because the Federal Circuit refused to permit the jury to

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[1] The Petition misquoted *Gallick*'s quotation of *Tennant*. Man. Pet. at 15. The first four lines quoted appear at the end of the paragraph quoted, not at the beginning, and the first sentence after the asterisks omits the words "on a theory" after the words "from the jury". *See Gallick, supra*, 372 U.S. at 114-15.

speculate on Manildra's severely attenuated evidence on the Lanham Act and tort claims. The Federal Circuit correctly held that this evidence could not support a reasonable inference in Manildra's favor.

A. The Federal Circuit Left Most of the Jury's Findings Intact.

Manildra's Petition attempts to portray the Federal Circuit as inherently hostile to subordinate fact-finders, whether they are judges or juries. The Petition offers a picture of a court that finds facts whenever and wherever it sees the opportunity. It quotes critics of the Federal Circuit who have accused that court of usurping the fact-finder's role as a means of implementing an implicit agenda to find patents valid and noninfringed wherever possible. Man. Pet. at 7-13.

Whatever the validity of that criticism in other cases, it would have predicted the very opposite of the Federal Circuit's outcome in this case. Here, the Federal Circuit upheld the jury's verdicts finding both of OMI's Patents invalid and not infringed. The Federal Circuit specifically refused to interfere with the jury's findings on the patent claims because it found they were supported by substantial evidence. For example, on infringement, the Federal Circuit stated: "Although there is evidence to the contrary, the evidence supporting the jury's verdict on this issue is substantial and, therefore, legally sufficient to prevent our disturbing the jury's finding of fact on this issue." Man. App. at 11a. The Federal Circuit also refused to interfere with the jury's verdict against Manildra on

the antitrust claims, which had alleged conspiracy and monopolization. *Id.* at 21a-22a.

The Federal Circuit overturned only the verdicts on Manildra's "unfair competition" claims under the Lanham Act and the Kansas law of intentional interference with prospective business advantage and injurious falsehood. Its decision states that these verdicts were overturned only because there was no more than a scintilla of relevant evidence to support them:

> Since substantial evidence requires more than a "mere scintilla" of evidence, *Biodex Corp.*, 946 F.2d at 859, 20 USPQ 2d at 1259, we conclude on this record that a reasonable jury could not have found Ogilvie liable to Manildra under the Lanham Act and the state law causes of action because the evidence on the "wrongful" elements of those claims constitutes at most a "mere scintilla."

Man. App. at 19a.

The overall result does not fit with Manildra's image of a court that lacks respect for jury determinations.[2] Instead, the result demonstrates the Federal Circuit's

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[2] Manildra's argument that the Federal Circuit has no regard for the jury's fact-finding is belied by the Federal Circuit's affirmations of the verdicts on infringement and validity. As OMI points out in its Cross-Petition for Writ of Certiorari, the Federal Circuit's affirmation as to non-infringement was flawed since it had determined that there was evidence of infringement, and the affirmation as to invalidity was erroneous since all of the pertinent art had been before the Patent and Trademark Office. Nonetheless, the Federal Circuit's errors had nothing to do with any alleged disregard for the jury's findings.

ability to distinguish between claims that are properly supported and those that are not, and to disturb only those that fail the test.

B. Only the Evidence of OMI's Conduct Was Relevant.

Manildra attempted throughout the trial to persuade the jury to hold OMI liable for the conduct of the prior owner of the Patents, Henkel Corporation ("Henkel"). When Manildra continued these efforts on appeal, the Federal Circuit rejected them. The same efforts have continued in the Petition for Writ of Certiorari, and the Court should also reject them for the same reasons.

Henkel owned the Patents from November 10, 1978 until March 1, 1985. Man. App. at 2a-3a. On March 1, 1985, the operating assets of Henkel's United States wheat starch processing operations, including the Patents, were sold to Ogilvie Mills, Inc. (the Respondent, now named OMI Holdings, Inc.), an unrelated company. *Id*. Some of the people employed by Henkel became OMI employees. OMI did not, however, purchase or become responsible for Henkel's liabilities. Man. App. at 18a n.15.

Manildra filed claims in this lawsuit against both Henkel and OMI. Manildra alleged that Henkel had violated the antitrust laws, Lanham Act, and state tort law during Henkel's ownership of the Patents, and it alleged that OMI had committed separate violations of those laws during OMI's ownership of the Patents. Man. App. at 3a. During discovery, Manildra uncovered a significant volume of evidence indicating that during its ownership of

the Patents, Henkel had made statements to carbonless copy paper manufacturers accusing Manildra of infringing the Patents. Man. App. at 18a n.15. Manildra was unable, however, to find evidence of similar conduct by OMI during OMI's tenure. Just before trial was to begin, Manildra settled its claims against Henkel for an undisclosed amount. Man. App. at 3a n.4.

Manildra then proceeded to trial against OMI. Throughout the trial, Manildra again and again offered into evidence the information it had accumulated showing Henkel's alleged wrongful conduct during its ownership of the Patents. Manildra offered various justifications for the admissibility of this evidence, primarily claiming it was "background" information to the period of OMI's ownership. OMI strenuously objected to this evidence, but the trial court decided to admit the evidence and then instruct the jury in writing to use it only for the antitrust claims. *See* Man. App. at 18a n.15. Instruction 24a stated:

> Evidence of conduct of the Henkel Corporation has been admitted into this case. This evidence has been admitted for the limited purpose of determining whether or not Manildra has proved one or more of the three conditions described in Instruction 24 [relating to the antitrust claims]. You may not consider this evidence for any other purpose.

OMI App. at 6a.

The jury's verdicts found OMI not guilty of patent misuse, inequitable conduct, and antitrust violations, but surprisingly found OMI guilty on Manildra's other "unfair competition" claims under the Lanham Act and

state tort laws. Man. App. at 4a. OMI's motion for judgment as a matter of law on the Lanham Act and tort counts was denied by the district court, and OMI appealed that ruling. *Id.*

Before the Federal Circuit, Manildra attempted to justify the jury's verdicts against OMI on the unfair competition claims by citing evidence showing the activities of Henkel employees during Henkel's tenure as owner of the Patents. The Federal Circuit correctly refused to accept that tactic and instead independently reviewed the record to determine whether Manildra had presented substantial evidence of conduct *by OMI* on which a reasonable jury could have found OMI liable. It found that this evidence was not substantial and was instead at most a mere scintilla.

The Federal Circuit described its time-consuming effort to separate the relevant, admissible evidence of OMI activities from Manildra's smokescreen of Henkel evidence as follows:

> Manildra argues in this overly adversarial portion of the appeal that Ogilvie's patent "litany" constituted a series of misrepresentations to their mutual customers that Manildra was infringing the patents in suit and therefore the customers acted at their own risk in purchasing the infringing product. According to Manildra, this "litany" satisfies the "wrongful" elements and therefore provides a sufficient basis on which to find Ogilvie liable. Manildra's argument is premised on the alleged statements being false as a matter of fact because the jury found Manildra not to be infringing either patent:

> There was abundant evidence in the record that Ogilvie intentionally, knowingly and in bad faith made false claims that Manildra infringed the patents, and that those statements induced [the LGWS purchasers] to limit their purchases from Manildra.

At oral argument, Manildra also emphasized Ogilvie's alleged representations to its customers that its patents dominated the field of LGWS and thus any use of LGWS from an entity other than Ogilvie or its licensees would infringe and would embroil the infringer in litigation. Manildra argues that the reaction of their customers in refusing to buy from Manildra "simply because of the legal situation" confirms Manildra's view of the case.

Contrary to Manildra's position, however, is our conviction that the record in this case does not contain evidence sufficient to establish the critical "wrongful" elements. Moreover, the record fails to establish both the composition of the "litany" and how the "litany" renders Ogilvie liable under the state laws and the Lanham Act. In support of its argument, Manildra lists exhibit after exhibit which purportedly corroborate its position. Yet after examining the entire record on appeal, we have discovered only one document, referred to as P715, out of several thousand trial exhibits, that provides some evidence that Ogilvie without qualification stated that Manildra was infringing its patents. Moreover, this single document is not a direct communication between Ogilvie and one

> of its customers, but rather is an internal customer memorandum between two of the customer's employees regarding future LGWS purchases and a future expansion of business, in which context the memorandum summarizes Ogilvie's statements. The other exhibits simply do not support the proposition for which they are cited. Furthermore, out of over fifteen thousand pages of transcript, no testimony directly bears on Ogilvie's falsity/misconduct.
>
> This court has also discovered no evidence, and was not directed to any by the parties, that supports Manildra's "domination" argument. As conceded by Manildra, we cannot consider Henkel's conduct and statements in this regard. In fact, once the evidence of Henkel's conduct is excised from this appeal, Manildra's whole case on the Lanham Act and state law tort claims disintegrates.

Man. App. at 16a-19a (footnotes omitted).

Manildra's improper reliance on Henkel evidence has continued with its Petition for Certiorari. The discussion below demonstrates that each evidentiary point discussed in the Petition either relates to conduct which could only reasonably be inferred to have been committed by Henkel, not OMI, or relates to subjects other than infringement.

C. Manildra Relies on Henkel Evidence to Support a Verdict Against OMI.

Out of 15,000 pages of transcript, 1,000 trial exhibits, and over 50 witnesses' testimony, Manildra has offered just five individual pieces of circumstantial evidence to

support its claims. These five, according to Manildra, are the "substantial evidence" which empowered the jury to award $4.75 million in damages against OMI, after the same jury had exonerated OMI of patent misuse, inequitable conduct, and antitrust violations. When this circumstantial evidence is reviewed carefully, as the Federal Circuit reviewed it, its lack of substance becomes apparent.

1. Trial Exhibit 715 Contains Only an Uncorroborated Second-Hand Report.

The first of the five items is a memorandum from one employee of Moore Business Forms ("Moore") to another. In that memorandum, the following appears: "Ogilvie has stated that their company holds all patent rights on use of starch on carbonless paper and Manildra infringes on this patent." Man. App. at 94a.

The Federal Circuit did not ignore this exhibit. Instead, the Federal Circuit discussed this exhibit at length in the portion of its opinion quoted above. Man. App. at 17a-18a. The Federal Circuit referred to this document as "at most a 'mere scintilla' ", a showing which could not possibly support Manildra's Lanham Act and tort claims. *Id.* at 19a.

This exhibit is no more than that, just a scintilla. It is not enough to allow a reasonable jury to infer that OMI had accused Manildra of infringement, either as to all of Manildra's customers or indeed even as to this customer. The reasons are several. For example, the exhibit does not name an individual and implies only that someone from OMI had at some time in the past made the accusation.

Further, the exhibit is a business record as to its nonparty author and recipient, but it is a second-hand report as to the alleged OMI statement, admissible only because it is a party's alleged statement. Fed. R. Evid. at 801(d)(2), 805. Manildra offered no live or deposition testimony from the memorandum's author or recipient or from any other person claiming to have actually heard any OMI employee make such an accusation. Man. App. at 18a. The Court has held that "mere uncorroborated hearsay or rumor does not constitute substantial evidence." *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 231 (1938).

Additionally, this memorandum involves at most only Moore, a single Manildra customer, and so cannot support the jury's damage award based on lost sales to all of Manildra's potential customers. In any event, Moore's agent testified that Moore chose not to increase its purchases from Manildra because of Manildra's thinly capitalized financial condition, which left Moore uncertain of Manildra's reliability, not because of any patent issue. OMI App. at 1a-3a. Thus, this note was not evidence that OMI had caused Manildra any loss.

The Federal Circuit was correct in holding that this scintilla of evidence could not reasonably support the jury's verdict of liability on the "unfair competition" claims.

2. Robert Dunn's Testimony is Henkel Evidence.

Manildra's second item is the testimony of Robert Dunn, who was employed by Henkel when it owned the Patents and became an employee of OMI when OMI

purchased the Patents. Manildra quotes a passage from Mr. Dunn's testimony in which he is asked whether he ever accused Manildra of infringement and he responds "I may have". Man. App. at 86a.

Manildra claims the jury could reasonably infer from that equivocal statement that Dunn made the accusation, and made it while he was employed by OMI. But Manildra failed to provide the Court the context for this testimony. The preceding pages of Dunn's testimony demonstrate that these questions were part of a series of inquiries about his activities at *either* Henkel *or* OMI. The exchange began on pages 8039-40 of the transcript (OMI App. at 4a-5a), where Dunn testified:

> Q. My question is real simple. Did you or did you not ever tell a customer that either Henkel or Ogilvie had the patents on the large granule wheat starch?
>
> A. We did. We informed them that we acquired them from Staley.

In that context, Manildra asks the Court, as it asked the jury, the district court, and the Federal Circuit, to make a double assumption. The first assumption is that Dunn's testimony related solely to his employment with OMI (despite the absence of any other corroborating evidence that he ever accused Manildra of infringement while employed by OMI), rather than to his employment by Henkel (a period in which a significant body of evidence showed that he and others made such accusations). The second assumption is that when Dunn said "I may have," he meant instead "I did."

The Federal Circuit correctly held that the proposed double-assumption connection between Dunn's testimony and Manildra's suggested conclusion is not a reasonable inference and is instead an unwarranted attempt to rebuild Manildra's case through hindsight reconstruction.

3. The Keller Testimony Is Also Henkel Evidence.

Manildra next presents testimony about two conversations between salesman Peter Calott, who came from Henkel to OMI, and Michael Keller of Moore. The first of these conversations occurred in October 1984, when Calott was employed by Henkel and, therefore, was not and could not be evidence of OMI's conduct. The second occurred after Calott had become an OMI employee. Manildra attempts unsuccessfully to import a statement from the first conversation into the second.

During the first conversation, in October 1984, Keller testified that Calott told him that "he was aware that Moore used Manildra, but it would not pay for Henkel to take the case to court because the costs that would be incurred through litigation would be – it would be far more expensive than the results." Man. App. at 61a.

Keller was then questioned about the second conversation, while Calott was employed by OMI. Keller's recollection of this second conversation was exhausted with no mention of Calott accusing Manildra of infringement. Man. App. at 63a. Then, in response to specific "refreshment" questions, Keller twice denied that the subject of

an infringement lawsuit was raised in the second conversation:

> Q. Did Mr. Calott mention Manildra in that meeting?
>
> A. Yes he did.
>
> Q. What did he say about Manildra in that meeting?
>
> A. Manildra does not have patent rights.
>
> Q. Did he say anything else about Manildra?
>
> A. No.
>
> Q. Did he mention the possibility of a lawsuit involving Manildra?
>
> A. No.

Man. App. at 63a.

Then, immediately after that testimony, Keller was asked this question and gave this answer:

> Q. Did he refer to his prior discussion about it wouldn't be cost-effective to sue Manildra for patent infringement?
>
> A. I think he had mentioned it at that meeting.

Man. App. at 63a.

Construing Keller's testimony about the second conversation to include a discussion of the cost-effectiveness of a lawsuit by OMI would require reading that testimony as self-contradictory. If the subject of patent infringement and litigation did not come up, then Calott could not have mentioned the cost-effectiveness of OMI filing a

suit. Instead, the plain reading is that if a lawsuit was ever discussed by Calott, it concerned an action by Henkel, not OMI. As to OMI, Keller testified that Calott never mentioned suing Manildra.

The Federal Circuit properly held that this highly ambiguous reference could not support a reasonable inference that OMI had directly accused Manildra of infringement.

4. The Price Competition Testimony Does Not Relate to Infringement.

The fourth and fifth items Manildra presents are statements by OMI's salesmen that OMI will not reduce its price to match Manildra's lower price. These statements are unrelated in any way to infringement.

Manildra first cites testimony about a Calott call report in which he informs his supervisor that Moore told him Manildra had recently lowered its price for large-granule wheat starch. Calott reported that he had responded that Manildra is not a "legitimate competitive situation" and that OMI would not match the lower price. Tr. Ex. 697, Man. App. at 89a. In testifying about this report, Calott explained that he meant Manildra's price drop was not a "genuine price competitive situation," and that OMI intended to remain a "price leader" and distinguish itself through its service and quality rather than price. Man. App. at 59a.

The second reference is another call report, in which Calott advises that the same customer, Moore, had reminded him of Manildra's lower price. The call report

notes that his response "again went through our litany on our position in the LGS field and why we have to be a leader." Tr. Ex. 713, Man. App. at 91a. Calott testified, in a passage quoted by Manildra (Man. Pet. at 18), that his "litany" on why Manildra must be a leader included an explanation that in order to recover the money paid for the Patents, OMI would need to maintain a higher price for its LGWS.

Both of these conversations, then, were about price competition, not patent infringement. Nothing in these conversations would support even an inference that OMI had accused Manildra of infringement.

If the best support for the jury's verdict lies in these five bits of evidence, then the jury's verdict was clearly not based on reasonable inferences about OMI's conduct. The Federal Circuit correctly held that the verdicts on the Lanham Act and tort claims could not stand.

D. The Federal Circuit Shows Proper Deference to Jury Verdicts.

Manildra's Petition is filled with references from secondary sources accusing the Federal Circuit of ignoring fact-finders or usurping the fact-finder's role. These sources all relate, as Manildra admits, to the Federal Circuit's review of bench trials under the "clearly erroneous" standard of Fed. R. Civ. P. 52(a), not to its review of rulings on motions for JNOV and JMOL in jury cases under the "stricter" substantial evidence test of Fed. R. Civ. P. 50. Man. Pet. at 8 n.5. These sources also relate to the Federal Circuit's perceived tendency to employ these methods to *uphold* patents or find them infringed. See,

e.g., Desmond, "Nothing Seems Obvious to the Court of Appeals for the Federal Circuit," 26 Loy. L.A.L. Rev. 455, 478 (1993) ("The CAFC seems prepared to validate any patent on the issue of obviousness at the expense of overturning Supreme Court precedent").

Whether or not that tendency exists, it is completely unrelated to the Federal Circuit's decision in this case. Here, the Federal Circuit *affirmed* a *jury verdict* holding two patents were *invalid* and *not infringed*. The jury's verdict was overturned only on the Lanham Act and state law claims, because on those claims no reasonable inferences could be drawn in Manildra's favor from the record.

While the Federal Circuit has its critics regarding its review of bench trials, it has received much more favorable commentary on its review of jury verdicts:

> The Federal Circuit has been very active in developing a coherent set of rules and guidelines governing jury practice in patent infringement cases. It has been particularly faithful in observing the more demanding standard of review that applies to jury verdicts: findings of fact by the jury are more difficult to set aside, being reviewed only for reasonableness under the substantial evidence test, while those of a district judge are reviewed under the clearly erroneous rule. It considers itself bound to determine whether a jury verdict can be sustained, on any reasonable theory. It is also perfectly willing to permit an adequately instructed jury to deal with legal questions.

Harmon, "Seven New Rules of Thumb: How the Federal Circuit Has Changed the Way Patent Lawyers Advise

Clients," 14 Geo. Mason U.L. Rev. 573, 582 (1992) (footnotes omitted).

The list of cases in Manildra's Table I, Man. App. at 109a-115a, also fails, on close examination, to square with Manildra's portrayal of the Federal Circuit as a renegade fact-finder. One of the sixteen cases listed as "overturning" jury verdicts is this one, *Manildra Milling Corp. v. Ogilvie Mills, Inc., et al.* Of the remaining fifteen, two do not even involve a situation like the one presented here. In *Sun Studs, Inc. v. ATA Equipment Leasing, Inc.*, 872 F.2d 978 (Fed. Cir. 1989), the Federal Circuit *reinstated* a jury verdict by reversing the trial court's JNOV. The Federal Circuit repeated several times throughout the opinion that the JNOV must be overturned because a reasonable jury could have found as that jury did. *Id.* at 984, 986-88, 994. The court vacated only a single jury determination, that the plaintiff's damages were partially barred by laches, because no evidence of prejudicial reliance was presented. In every other respect, the jury's verdict was upheld. In *Malta v. Schulmerich Carillons, Inc.*, 952 F.2d 1320 (Fed. Cir. 1991), *cert. denied*, 119 L.Ed.2d 566 (1992), the district court entered a JNOV, and the Federal Circuit simply affirmed that order as being appropriate due to the lack of evidence to support plaintiff's claim of equivalent infringement.

That leaves thirteen cases on Manildra's list. Of these, six reversed a judgment or portion of judgment based on an issue of law unrelated to the sufficiency of evidence before the jury. *Oiness v. Walgreen Co.*, 26 U.S.P.Q.2d 1548 (Fed. Cir. Oct. 8, 1992), *cert. denied*, 123 L.Ed.2d 473 (1993) (upheld verdicts of validity and infringement, reversed damage verdict due to incorrect

jury instructions); *Lemelson v. General Mills, Inc.*, 968 F.2d 1202 (Fed. Cir. 1992), *cert. denied*, 122 L.Ed.2d 131 (1993) (reversed verdict of infringement because inherently inconsistent with unchallenged verdict of nonanticipation); *Wilson Sporting Goods Co. v. David Geoffrey & Associates*, 904 F.2d 677 (Fed. Cir.), *cert. denied*, 498 U.S. 992 (1990) (reversed verdict of infringement because proposed hypothetical claim under doctrine of equivalents was legally invalid since it read on prior art); *Senmed, Inc. v. Richard-Allan Medical Industries, Inc.*, 888 F.2d 815 (Fed. Cir. 1989) (same as *Wilson*); *Lear Siegler, Inc. v. Sealy Mattress Co.*, 873 F.2d 1422 (Fed. Cir. 1989) (same as *Wilson*); *Sjolund v. Musland*, 847 F.2d 1573 (Fed. Cir. 1988) (reversed magistrate's finding of obviousness because it is question of law).

Only the remaining seven cases actually reversed some portion of a jury's verdict based on the sufficiency of the evidence. Of those, five reversed only a small portion of the verdict and upheld the remainder. *Collins Licensing, L.P. v. AT&T Co.*, 28 U.S.P.Q.2d 1847 (Fed. Cir. 1993) (upheld verdicts of validity of seven of eight patent claims and noninfringement of all claims, reversed only verdict of validity of eighth claim); *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557 (Fed. Cir. 1993) (upheld verdicts of invalidity of twelve of thirteen claims of plaintiff's patent, reversing only verdict of validity of thirteenth claim; upheld verdict of infringement of twenty claims of defendant's two patents); *Braun, Inc. v. Dynamics Corp. of America*, 975 F.2d 815 (Fed. Cir. 1992) (affirmed verdicts of patent validity and infringement, reversed verdicts on Lanham Act, trade dress infringement, and passing off); *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992)

(affirmed verdicts of validity and infringement of utility patent, reversed verdict of infringement of design patent); *Tol-O-Matic, Inc. v. Proma Produkt-Und Marketing Gesellschaft m.b.H.*, 945 F.2d 1546 (Fed. Cir. 1991) (affirmed all verdicts of noninfringement, reversed verdict of invalidity based on inutility because not disputed).

As a result, only two decisions by the Federal Circuit on Manildra's list of 38 cases reversed a substantial portion of a jury's verdict based on the insufficiency of the evidence. In both of those, the Court denied petitions for writ of certiorari. *Ernster v. Ralston Purina Co.*, 27 U.S.P.Q.2d 1692 (Fed. Cir. 1992), *cert. denied*, 123 L.Ed.2d 472 (1993); *Dana Corp. v. IPC Ltd. Partnership*, 860 F.2d 415 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989). It appears that Manildra's accusations of rampant fact-finding by the Federal Circuit in jury cases are based on illusion, not reality.

E. OMI Has Continuously Challenged Manildra's Claims for Lack of Evidentiary Basis.

Manildra claims that OMI admitted in its motions during or after trial that evidence existed to support Manildra's claims. OMI did not. Instead, OMI's position was consistent at all times: no substantial relevant evidence supports Manildra's Lanham Act and tort claims.

During the argument on OMI's motion for directed verdict at the close of the plaintiff's case, on a page of transcript immediately following the excerpt in Manildra's Appendix, OMI's counsel stated:

> And in any event, the record does not support the Third Amended Complaint's allegations that Ogilvie employed threats or coercion, other than to state its rights. The customer's buyers testified that although Ogilvie's salesmen often mentioned the patents validity, they never made a threat to any one.

OMI App. at 6a.

In the brief supporting its post-trial motion for JMOL, OMI stated (immediately preceding the sentence quoted by Manildra in Man. Pet. at 21):

> In sum, there is a total lack of evidence to establish that any of the Ogilvie salesmen knew or believed that the Patents were invalid, or knew or believed that the Patents were not infringed by Manildra, but, with actual malice, stated to the contrary.

Man. App. at 102a.

Finally, in its appellate brief, OMI also returned to this argument, once again immediately preceding the portion Manildra quoted in Man. Pet. at 21, as follows:

> Virtually the entire case was tried on Manildra's claims of inequitable conduct, violation of the federal antitrust law, and patent misuse. The jury found in favor of Ogilvie on all of these issues. There was no testimony at the trial regarding the Lanham Act or the torts of injurious falsehood or interference with a prospective economic interest. The Court should not have instructed the jury on these claims. Ogilvie should have been granted judgment as a matter of law.

Man. App. at 104a.

These references demonstrate that OMI never abandoned its argument that there was no substantial evidence to support Manildra's Lanham Act and tort claims.

III. THE FEDERAL CIRCUIT COULD HAVE REQUIRED AN EVEN HIGHER STANDARD OF PROOF.

The Federal Circuit based its review of the evidence on the basic "substantial evidence" test and found Manildra's evidence on the Lanham Act and tort claims fell short of that standard. However, the Federal Circuit could have, and if necessary should have, required Manildra to demonstrate that its evidence on those claims was sufficient for a reasonable jury to find it clear and convincing. Manildra plainly did not meet this higher standard.[3]

The clear and convincing evidence standard should have been applied to Manildra's Lanham Act and state tort law claims in order to prevent the enforcement of those laws from unduly interfering with the enforcement of United States patents. Congress has declared that patents shall be presumed valid, 35 U.S.C. § 282, and to enforce that presumption the courts require a party challenging validity to prove its grounds by clear and convincing evidence. *Tol-O-Matic, Inc. v. Proma Produkt-Und Marketing Gesellschaft m.b.H.*, 945 F.2d 1546, 1552-54 (Fed.

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[3] A brief in opposition to a petition for writ of certiorari may raise any grounds which support the judgment below. Sup. Ct. R. 15.1. OMI raised this issue below, but the Federal Circuit declined to address the issue because its holding made consideration of this question unnecessary. Man. App. at 19a-20a.

Cir. 1991). Similarly, if a challenger claims a patent is unenforceable due to patent misuse, the patentee's enforcement efforts are presumed to have been made in good faith, and the presumption can be overcome only by clear and convincing evidence of bad faith. *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861 (Fed. Cir. 1985).

Since a patent grants an exclusive right to make, sell, and use an invention, enforcement of the patent may potentially conflict with the enforcement of federal antitrust laws, which prohibit anticompetitive conduct and monopolization. To accommodate the interests of these potentially conflicting statutes, the courts require a higher standard of proof where the alleged anticompetitive action includes patent enforcement. The antitrust claimant is required to prove that one of three specific types of conduct exists, by the same clear and convincing evidence standard applicable to a challenger of patent validity or enforceability. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 996 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025 (1980).

The present case demonstrates the potential for conflicts between vigorous patent enforcement and two additional areas of law, the Lanham Act and state "unfair competition" laws. To avoid chilling the free exercise of the exclusivity rights inherent in a presumptively valid patent, these two bodies of law should be restricted in the same way that the antitrust laws have been restricted. A patentee should face no liability under the Lanham Act or state tort law for enforcing its patent, including accusing others of infringement, unless there is clear and convincing evidence that its enforcement conduct actually occurred and was undertaken in bad faith.

This restriction on the Lanham Act and state laws should require that these laws may apply only if the challenged conduct constitutes patent misuse or inequitable conduct as defined by the patent laws. Only that formula will ensure that these laws do not prohibit activity which the patent laws protect. Using that formula, Manildra's Lanham Act and state-law claims would be barred as a matter of law in any event, because the jury specifically found, whenever asked, that OMI was not guilty of patent misuse or inequitable conduct. Man. App. at 4a. Manildra waived any objection it may have had to these jury findings by failing to challenge them through a motion for JMOL, either before or after the verdict, and by failing to raise the issue on appeal. Fed. R. Civ. P. 50; Man. App. at 4a-5a.

The Federal Circuit has noted that some cases have held that a patentee's statements in enforcing a presumptively valid patent cannot be the basis of a Lanham Act claim at all. Man. App. at 19a; *Tubeco, Inc. v. Crippen Pipe Fabrication Corp.*, 402 F.Supp. 838, 847 (E.D.N.Y. 1975), *aff'd*, 538 F.2d 314 (2d Cir. 1976) (table); *Lang v. Pacific Marine & Supply Co.*, 703 F. Supp. 1404, 1411 (D. Haw. 1989), *aff'd*, 895 F.2d 761 (Fed. Cir. 1990). Other cases have held to the contrary. *Brandt Consolidated, Inc. v. Agrimar Corp.*, 801 F.Supp. 164, 174 (C.D. Ill. 1992); *Chromium Industries, Inc. v. Mirror Polishing & Plating Co.*, 448 F. Supp. 544, 555 (N.D. Ill. 1978). Rather than use an all-or-nothing approach, the *Handgards* accommodation, which imposes liability only where there is clear and convincing evidence of patent misuse or inequitable conduct, appears to be the most appropriate method of resolving

the potential conflict between these two bodies of federal law.

Kansas tort law, of course, does not stand on an equal footing with federal patent law and must give way under the Supremacy Clause whenever its enforcement would interfere with the exercise of federally protected rights. U.S. CONST. art. VI, cl. 2; *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989) (state law cannot prohibit activity that federal patent law protects); *Virginia State Board of Pharmacy v. Virginia Citizens Consumers Council, Inc.*, 425 U.S. 748, 765 (1976) (commercial information flow is protected from state interference by First Amendment). Here, also, application of the clear-and-convincing standard of evidence would prevent the state laws from unduly hampering patentees' good faith efforts to enforce their federally granted rights of exclusivity.

When the claimant's burden of proof is by clear and convincing evidence, the court's analysis of the sufficiency of the evidence on a JMOL motion incorporates that burden. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). Plainly, if the Federal Circuit had required Manildra to show that a reasonable jury could find that the evidence clearly and convincingly demonstrated that OMI had with knowing falsity accused Manildra of infringement, Manildra's references to ambiguous pieces of the record could not have withstood that test. For this additional reason, the Federal Circuit's result on the Lanham Act and tort claims was correct, and certiorari by the Court is unnecessary.

CONCLUSION

No genuine constitutional issue is presented by Manildra's Petition. The Federal Circuit reached the correct result in this case, based on a thorough review of the record. Manildra's Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX

[Keller Tr. 3701]

A. Yes.

MR. WALCH: Page 26, Line 13.

Q. How long has Moore been utilizing Manildra in the Fremont plant?

A. It's for the last five years that I know.

Q. So it was being used before you came into Moore?

A. I would estimate, yes, guesstimate.

Q. Was there ever a time when Manildra's starch was used 100 percent at the Fremont plant?

A. Yes.

Q. When was that?

A. In 1985.

Q. When did that change?

A. In 1986, Fremont had a new coater, what we call our super coater, where additional volume was being produced at that plant.

Q. At the time of this additional volume is when Manildra was reduced from 100 percent at that time?

A. Correct.

Q. Why was Manildra reduced from 100 percent at that time?

A. We wanted a surety of supply.

Q. Who made that decision to reduce Manildra?

A. I did, in conjunction and discussion with Mr.

[Keller Tr. 3702]

Zgonce.

Q. What was the additional volume added to the Fremont plant in 1986? Was it doubling? Was there an increase of so many pounds or tons or however it's measured or what?

A. In essence, it doubled.

Q. Did you make any – did you attempt to determine if Manildra could handle the additional capacity at Fremont?

A. No. No one had called me.

Q. Excuse me?

A. No one had called me from Manildra.

Q. I'm not sure I understand. What does that have to do with whether you attempted to determine whether Manildra could handle the extra capacity?

A. It was felt that it would be better to have Ogilvie as a backup supplier at that time.

Q. When you say it was felt, was that you are feeling?

A. Yes, in conjunction with Mr. Zgonce.

Q. And why did you feel that it was better to have Ogilvie as a back up supplier at that time?

A. The unsurety of Manildra to supply the

[Keller Tr. 3703]

material. There were rumors that Manildra was in financial problems and would not be able to supply all our needs.

Q. Other than these rumors, did you have any information that led you to –

A. No.

Q. – question Manildra's ability to supply your needs?

A. No.

MR. WALCH: Then to Page 29, Line 7.

Q. In 1986, when you cut back Manildra from 100 percent supplier to the Fremont plant, did you can you tell them back in volume or just in percentage?

A. Just in percentage.

Q. So Manildra's volume remained the same?

A. Yes.

Q. It's just because of the doubling of the plant capacity that their percentage was different, is that right?

A. Right.

Q. So basically, you gave all the new capacity to Ogilvie and continued Manildra at the prior level?

A. Correct.

[Dunn Tr. 8039]

A. That I know.

Q. All right. We won't worry about Midwest for the moment. You also have no reason to believe there was anything wrong with Manildra's quality?

A. It – it was used by at least two customers, so it must be satisfactory to them.

Q. All right. And during this period of time, either you or your sales staff have advised your customers that you have patents?

A. Well, they – we didn't have to advise them of that. They knew all about these patents long before we acquired them.

Q. But you've also told them or advised them on occasion that there are patents out there?

A. They would raise questions about them, yes.

Q. In response – regardless of who raised the question, you've told them that there are patents?

A. Yeah, they knew there were patents.

Q. They knew it, but you never told them that. Is that what you're testifying to?

A. I didn't have to. Staley had the patents before us. They knew all about the patents.

Q. My question is real simple, did you or did you

[Dunn Tr. 8040]

not ever tell a customer that either Henkel or Ogilvie held the patents on the large granule wheat starch?

A. We did. We informed them that we acquired them from Staley.

Q. Nothing to do with why you did it, I'm sure from your perspective your motives were sound. Just the fact is you did it. You or your sales staff also –

MR. GREGORY: Is that a question, Your Honor?

THE COURT: Ask your question, Mr. Walch. Go ahead and ask your question.

Q. You or your sales staff also have from time to time either in response to a question or on your own initiative told them that – told certain customers that you thought Manildra was infringing those patents?

A. If they asked the question and would bring up the subject of Manildra, we would try and answer those questions as honestly as we knew how.

Q. All right. And on those occasions, you did tell them that Manildra – you thought Manildra was infringing the patent?

[Gregory (Mot. for Dir. Verdict) Tr. 7270]

them aware of what may be down the road."

First this is not actionable behavior. A patent holder has the right to express its position on its patent unless there is no good faith belief in the validity or the enforceability of the patents, and we've cited the Bechik case and *Walker Process*. And in any event, the record does not support the third amended complaints allegations that Ogilvie employed threats or coercion, other than to state its rights.

The customers, buyers testified that although Ogilvie's salesmen often mentioned the patents validity, they never made a threat to anyone. John Curtis, a Mead buyer, said he never personally received any threat from Ogilvie and he knows no one else at Mead who received a threat. That's trial record 3676 and 77. Ted Crow of Moore – a buyer with Moore, said he could not think of any threats by either Henkel or Ogilvie, trial record 3829.

And finally, none of Manildra's employees who testified knew first hand of any threats by Ogilvie, and they did not know of anyone at

[Instruction No. 24a]

Evidence of conduct of the Henkel Corporation has been admitted into this case. This evidence has been admitted for the limited purpose of determining whether or not Manildra has proved one or more of the three conditions described in Instruction 24. You may not consider this evidence for any other purpose.

Supreme Court, U.S.
F I L E D
FEB 3 1994
OFFICE OF THE CLERK

No. 93-973

In The
SUPREME COURT OF THE UNITED STATES
October Term, 1993

MANILDRA MILLING CORPORATION, *Petitioner*,
v.
OMI HOLDINGS, INC., *Respondent*.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY MEMORANDUM

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RULE 29.1 LIST OF PARENT COMPANIES

Manildra Milling Corporation is a wholly owned subsidiary of Honan Holdings, USA, Inc. It has no subsidiaries to list pursuant to Rule 29.1.

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ARGUMENT

OMI's arguments do not address the basic premise of Manildra's Petition: The Federal Circuit, following what has become a pattern, improperly engaged in fact-finding at the appellate level contrary to a jury's verdict based on substantial evidence.

I. The Federal Circuit's Decision Does Raise Seventh Amendment Issues.

The Federal Circuit denied Manildra's Seventh Amendment rights by ousting the jury's verdict in favor of its own inferences from the evidence and assignment of credibility to witnesses. *See, Slocum v. New York Life Ins. Co.*, 228 U.S. 364 (1912). Contrary to OMI's assertion (OMI Br. 2), Manildra takes no issue with a JMOL or its standard. Manildra's argument is that the Federal Circuit, while paying lip service to the proper standard of review, actually ignored it. OMI's argument that discerning an "absence" of evidence is not "fact-finding" is really a word game, based on OMI's (and the Federal Circuit's) discounting the evidence that was adduced. By any fair definition, that process is "fact-finding."

Finally, Ogilvie argues that "Manildra simply disagrees with the Federal Circuit" on the interpretation of the evidence (OMI Br. 3). But the issue is not whether different conclusions can be drawn about the evidence; it is whether the jury's findings were reasonable. *See* Man. Pet. 15. Ogilvie virtually admits that the requisite quantum of evidence exists when its states that "Manildra has offered just five individual pieces of circumstantial evidence to support its claims." OMI Br. 12-13.

II. The Federal Circuit's Fact-Finding Was Improper.

OMI's argument that the jury engaged in speculation on "severely attenuated evidence," and that evidence "could not support a reasonable inference in Manildra's favor" (OMI Br. 5-6) admits that there was evidence before the jury to support the Lanham Act and Kansas unfair competition claims. OMI's disparagement of that evidence might properly have been addressed to a fact-finder, but it is not an argument that the evidence does not exist. "Only when there is a complete absence of probative facts to support the conclusion reached does a reversible error appear." *Lavender v. Kurn*, 327 U.S. 645, 653 (1946)

A. The Jury Findings Left Intact. The fact that the Federal Circuit let stand some of the jury's findings is irrelevant. The Seventh Amendment is not satisfied by giving half a jury trial.

B. Evidence of OMI's Conduct. Manildra agrees that the Federal Circuit considered only the evidence of OMI's conduct.[1] As shown below, the evidence addressed in Manildra's Petition

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[1] Manildra believes that that limitation was clearly erroneous. Upon purchasing the business and patents from Henkel, OMI retained Henkel's general manager, chief of sales, head technician and chief of production. It also stressed to customers the "continuity" of the business. OMI acknowledges that Henkel made accusations of infringement (OMI Br. 15) and there was *no* evidence showing that any change in policy was adopted or even considered by OMI when it bought the business. This Court has considered evidence of prior conduct to be proper to "shed light on the true character of matters occurring [subsequently]." *Local No. 1421 Int'l Mach. v. NLRB*, 362 U.S. 411, 416 (1960). Given the identity of actors and the key positions they held, coupled with the total absence of evidence that OMI changed the policy when it took control, the trial court's admission of the Henkel evidence for this limited purpose was proper and should have been respected by the Federal Circuit.

relates only to OMI's conduct during the period it owned the patents in issue.

C. Manildra Relies Only On OMI Evidence. OMI's suggestion that the four items of evidence addressed in its brief are evidence only of Henkel's conduct is incorrect. Items 1, 3 and 4 refer solely to OMI's conduct; item 2, while possibly ambiguous, supports a reasonable interpretation that OMI was the actor.

1. Exhibit 715. Exhibit 715 (Man. Pet. 94a) says: "*Ogilvie* has stated that...Manildra infringes." Man. Pet. 16 (emphasis added). OMI argues that that document is an "uncorroborated second hand report." However, "[i]t is the jury, not the court, which is the fact-finding body. It weighs the contradictory evidence and inferences, judges the credibility of the witnesses." *Gallick v. B&O*, 372 U.S. 108, 114 (1963). It was uncontested that the memorandum was preceded by several communications from OMI regarding the patents, legitimate sellers and licenses. *See*, Man. Pet. pp. 17-19. OMI's own record of one of those conversations records that "Manildra has given a hold harmless letter regarding *any possible violations of patents*" Ex. 713, Man. Pet. p. 91a (emphasis added). Given that and other evidence, it was reasonable for the jury to conclude that Exhibit 715 was an accurate record of OMI's assertions of infringement. There is no basis for attributing the statement to Henkel.

2. Dunn Testimony. OMI claims that the admission of Robert Dunn, the general manager of both Henkel and Ogilvie, that he "may have" told the trade that Manildra was infringing, was ambiguous as to (1) whether it referred to when he was with Henkel or with Ogilvie, and (2) whether "may have" told meant "did" tell. OMI's point ignores that it is for the jury, not the court of appeals, to resolve ambiguities: "Traditionally, it is the function of the jury to evaluate the credibility and meaning of 'necessarily self-serving

statements' and 'ambiguous conduct.'" *United States v. Baily*, 444 U.S. 394, 427 (1980) (criminal trial).

The jury was reasonable in concluding that the statement referred to the time period when Dunn was with OMI.[2] OMI introduced no evidence through Dunn or anyone else that it did not accuse Manildra of infringement. If Dunn knew that he did not tell customers that Manildra was infringing, his testimony would have been a flat denial, rather than, "I may have."

3. Keller Testimony. OMI's contention that the Keller evidence relates to Henkel is incorrect. While Henkel's sales chief, Calott, did visit Keller in 1984, Calott greatly stepped up his contacts after OMI took over. He spoke with Keller about the patents shortly after OMI bought the business and followed up by confirming that OMI had all the patents and Midwest was licensed to sell. Exhibit 684, Man. Pet. p. 88a. He met with Keller in January and August, 1986; the patents and Manildra were discussed at both meetings. Exhibits 697 and 713, Man. Pet. p. 89a-92a. At the latter meeting, the content of OMI's "litany" was revealed in Calott's own record of Keller's response: "[Keller] commented that Manildra has given them a hold harmless letter regarding *any possible violations of patents.*" Exhibit 713, Man. Pet. p 91a, emphasis added. The Keller evidence during OMI's tenure thus was

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[2] Questions addressed to Dunn delimited the time period of 1985-1990, when OMI was the patent owner (Tr. 8038, p. 1a below) and asked whether, during that period, OMI told customers about the patents (Tr. 8039, p. 2a below). Dunn answered affirmatively, and then did so again when the question involved both Henkel and OMI. Thereafter, he admitted that he may have charged that Manildra was infringing. Tr. 8040-41, pp. 3a-4a below. The jury was entitled to resolve this ambiguity, as it did, in favor of Manildra.

easily more vivid and compelling than during Henkel's. *See* Man. Pet. 17-20.

OMI's contention that the Keller evidence was contradictory (OMI Br. 17) is not relevant, since "the jury is free to discard or disbelieve whatever facts are inconsistent with its conclusion." *Lavender v. Kurn*, 327 U.S. at 653. OMI's interpretation of Keller's testimony is itself inconsistent with Keller's overall testimony (*see* Man. Pet. 62a-64a) and with the memo he wrote which recorded OMI's statements about Manildra's infringement (Exhibit 715), but it was for the jury to decide which version to believe.

4. OMI Salesmen. OMI's claim that comments by OMI salesmen were unrelated in any way to infringement (OMI Br. 18) is, again, its own questionable interpretation. While the word "infringement" is not in those statements, the words "possible violations of patents" were written by OMI's own director of sales in one of his call reports. Ex. 713, Man. Pet. 91a. A reasonable jury could, and did, construe those statements in the context of OMI's assertion of its ownership of the patents and Manildra's lack of license (See Man. Pet. 17-19), and conclude that OMI was charging Manildra with infringement.

D. The Federal Circuit Has Not Shown Proper Deference to Jury Verdicts. To illustrate the frequency with which the Federal Circuit reverses jury verdicts, Manildra prepared a table showing that, on the basis of lack of substantial evidence, that court reversed jury verdicts in whole or in part in 16 out 38 cases since 1988. Man. Pet. 109a. OMI challenges the list on various grounds, including Manildra's supposed misreading of the opinions. Manildra continues to believe that the cases in question were appropriately cited. For the convenience of the Court in considering this dispute, Manildra has prepared another table (Table 1, p. 5a below) quoting the actual language used by the Federal

Circuit in reversing a jury verdict for lack of substantial evidence in fifteen cases.[3]

E. OMI Conceded That It Told Customers That Manildra Was Infringing. OMI argues that it has asserted that Manildra's Lanham Act and Kansas unfair competition claims were unsupported by the evidence, and cites several instances where it made broad denials that it had threatened customers or that it made its charges with malice. In none of those instances, however, did OMI deny telling the trade that Manildra was infringing. OMI repeatedly told the trial court and the court of appeals that it did tell customers that Manildra was infringing, arguing that those statements were made in good faith. *See* Man. Pet. 20-23. Those admissions should have precluded the Federal Circuit from concluding otherwise.

III. OMI's Proposed New Standard of Proof Would Change Almost a Century of Precedent; In Any Case, Manildra Met That Standard.

OMI's suggestion that the Federal Circuit could have required a clear and convincing evidence standard under the Lanham Act and Kansas tort claims is academic, since Manildra satisfied that standard. There is no authority for such a heightened standard, and even if there were, the proper course would be to order a new trial rather than to reverse the judgment of liability.

The jury found affirmatively on verdict question 18:

> Do you find that Manildra Milling Corporation has proven by the requisite burden of proof any of the conditions described in Instruction 24?

---

[3] The sixteenth case is the present one.

Instruction 24 stated that Manildra had to establish one of the following conditions as a predicate for recovery under the antitrust laws:

> 1. The patents were obtained by [OMI's] predecessors who knowingly and wilfully misrepresented, or failed to disclose, material facts to the Patent Office, which, had the Patent Office been aware of the true facts, would have caused the Patent Office not to issue the patents, and [OMI] knew of such conduct, when it sought to enforce its patent rights; or
>
> 2. [OMI] asserted its patent rights when it knew, or should ave known, that its patents were either invalid or unenforceable, or had not been infringed by Manildra; or
>
> 3. [OMI] used the patents, even if it in good faith believed them to be valid and enforceable as part of a larger scheme to monopolize the large granule wheat starch market or a recognized sub-market thereof.
>
> Manildra has the burden of proving the existence of conditions 1 or 2 above by evidence which is clear and convincing.

We know that the jury found affirmatively on Condition 2, since it found no inequitable conduct before the Patent Office (Condition 1) or monopolization (Condition 3). Consequently it must have found the second condition satisfied -- specifically that Manildra had proved by clear and convincing evidence that OMI used the patents in bad faith, while it knew or should have known that the patents were invalid or not infringed. That determination was consistent with the predicates for finding a violation of the

Lanham Act[4] and the Kansas state torts of interference with prospective advantage[5] and injurious falsehood.[6]

There is no authority supporting OMI's suggested heightened standard; indeed, there is 85 years worth of precedent imposing liability under those laws without any requirement of a heightened evidentiary standard.[7]

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[4] "[OMI] has made misrepresentations that its large granule wheat starch is the only lawfully produced large granule wheat starch in the United States other than that produced by its licensee" Instruction 37.

[5] No justification based upon a "good faith belief is to the validity and enforceability of [the] patent, and with a good faith belief that the patent has been infringed." Instruction 36.

[6] False statement "maliciously" made. Instruction 41.

[7] *See, e.g., Reazin Paper Goods Co. v. Dittgen*, 171 F.631, 635-36 (7th Cir. 1909) (damages and injunctive relief under state unfair competition law properly based on overbroad assertion of patent rights); *Maytag Co. v. Meadows Mfg. Co.*, 35 F.2d 403, 407-8 (7th Cir. 1929), *cert. denied*, 281 U.S. 737 (1930)(injunctive relief under state unfair competition law properly granted based upon false statements to customers that Meadows infringed Maytag patents; court assumed that Meadows also had remedy at law); *International Industry and Development, Inc. v. Farbach Chem Co.*, 241 F.2d 246 (6th Cir. 1957) (letter sent in bad faith to customers asserting infringement justified award of damages for unfair competition); *U.S. Aluminum Corp./Texas v. Alumax, Inc.*, 831 F.2d 878, 880-81 (9th Cir. 1987), *cert. denied*, 488 U.S. 822 (1988)(state action lies for malicious prosecution based upon a showing of malice and bringing action for alleged patent infringement; clear and convincing evidence standard expressly rejected); *Tele-Sonic Packaging Corp. v. Errich International Corp.*, 173 F.Supp. 335, 347-48 (S.D. N.Y. 1959) (bad faith and misleading notice of patent infringement constitutes actionable unfair

Ogilvie cites three cases in support of a heightened standard; none are apposite. In *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir. 1979), *cert denied*, 444 U.S. 1025 (1980), the Court of Appeals for the 9th Circuit did impose a clear and convincing evidence standard for an *antitrust* claim. However, that very court later refused to require a clear and convincing evidence standard to make out a state claim for malicious prosecution in bringing an action for patent infringement. *U.S. Aluminum Corp/Texas v. Alumax, Inc.*, *supra*, 831 F.2d at 880-81. The court focused on the mandatory treble damages remedies of the antitrust laws and the inhibitions those damages could cause on the exercise of patent rights. *Id.*; *see also, Handgards, supra*, 601 F.2d at 993. Since the malicious prosecution law (like the Lanham Act and Kansas state torts) imposes no such mandatory trebling, the court found no reason for going beyond the substantial evidence test.

OMI's reliance on *Tubeco, Inc. v. Crippen Pipe Fabrication Corp.*, 402 F.Supp. 838 (E.D. N.Y. 1975), *aff'd*, 538 F.2d 314 (2d Cir. 1976) and *Lang v. Pacific Marine and Supply Co.*, 703 F.Supp. 1404 (D. Haw. 1989), *aff'd*, 895 F.2d 761 (Fed. Cir. 1990) is also misplaced. In neither case was there any allegation that the party accused of violating the Lanham Act had ever suggested to anyone that the accusing party was a patent infringer. In both cases, the accused party simply claimed that it owned patents (which it did) and made no charges whatsoever that anyone

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competition); *Chromium Industry v. Mear Polishing and Plating Co., Inc.*, 448 F.Supp. 544, 557 (N.D. Ill. 1978) (Lanham Act Section 43(a) action may be based upon knowingly overbroad assertions of patent coverage and infringement); *Brandt Consolidated, Inc. v. Agrimar Corp.*, 801 F.Supp. 164, 174 (C.D. Ill. 1992) (Lanham Act Section 43(a) action lies for false representations of patent infringement).

infringed those patents. 703 F.Supp. at 1406, 1411; 402 F.Supp. at 843, 847.

Finally, even if the clear and convincing standard of proof should have been required and even if Manildra had not met that standard, the proper course of action for the Federal Circuit would have been to remand the case for a new trial rather than outright reversal.

CONCLUSION

OMI's extensive argument about the evidence vividly demonstrates Manildra's basic point: there was a great deal of meat for the jury to chew, and the Federal Circuit acted improperly in rejecting the jury's verdicts for a lack of the requisite evidence. OMI's so-called "challenges" to the existence of the requisite evidence were only vague and general complaints, easily outweighed by the specific admissions that it "stated to customers" that Manildra was infringing. Finally, OMI's proposed new standard of review is not supportable by any concern about chilling the proper exercise of patent rights and would reverse nearly a century of precedent; in any event, that standard was satisfied by Manildra in this case.

Respectfully submitted,

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APPENDIX

[Dunn Tr. 8038]

Q. And you also know that the 725 patent and the 718 patents say that drying and reslurrying is-- is not the-- the process to be used?
A. I don't know that, no, Mr. Walch.
Q. All right. But you'd stand on what the patent says on that subject?
A. I certainly would.
Q. All right. From 1981 to 1991, you knew that Manildra had the lowest price in the market, large granule wheat starch.
A. What was the time period?
Q. 1981 to 1991.
A. I'm not sure of that.
Q. Well, how about from '85 to '91?
A. I don't know, for example, in '91 what Midwest Solvents' price is.
Q. All right. Let's take--
A. So I can't answer the--
Q. -- take the stub period out of it. '85 to '90.
A. Well, with the same qualification. I-- I don't-- I don't have access--
Q. Well, I don't want to get into a quibble. I'm just trying to sum up a few things here. You know it's been lower than Ogilvie's.

[Dunn Tr. 8039]

A. That I know.
Q. All right. We won't worry about Midwest for the moment. You also have no reason to believe there was anything wrong with Manildra's quality?
A. It-- it was used by at least two customers, so it must be satisfactory to them.
Q. All right. And during this period of time, either you or your sales staff have advised your customers that you have patents?
A. Well, they-- we didn't have to advise them of that. They knew all about these patents long before we acquired them.
Q. But you've also told them or advised them on occasion that there are patents out there?
A. They would raise questions about them, yes.
Q. In response-- regardless of who raised the question, you've told them that there are patents?
A. Yeah, they knew there were patents.
Q. They knew it, but you never told them that. Is that what you're testifying to?
A. I didn't have to. Staley had the patents before us. They knew all about the patents.
Q. My question is real simple, did you or did you

[Dunn Tr. 8040]

not ever tell a customer that either Henkel or Ogilvie held the patents on the large granule wheat starch?

A. We did. We informed them that we acquired them from Staley.

Q. Nothing to do with why you did it, I'm sure from your perspective your motives were sound. Just the fact is you did it. You or your sales staff also--

MR. GREGORY: Is that a question, Your Honor?

THE COURT: Ask your question, Mr. Walch. Go ahead and ask your question.

Q. You or your sales staff also have from time to time either in response to a question or on your own initiative told them that-- told certain customers that you thought Manildra was infringing those patents?

A. If they asked the question and would bring up the subject of Manildra, we would try and answer those questions as honestly as we knew how.

Q. All right. And on those occasions, you did tell them that Manildra-- you thought Manildra was infringing the patent?

[Dunn Tr. 8041]

A. I-- I may have.
Q. All right. And you also advised the customers from time to time, regardless of whether they asked a question or you initiated it, that Midwest was the only licensee?
A. Yes, we did.
Q. Okay. And also from time to time you and others have made statements to the customer to the effect that although you'd hate it, this situation could lead to a lawsuit, or words to that effect?
A. No, I think you're changing that a bit. What we told them that-- in that reference was that if a lawsuit were to acquire-- to occur, much as we wouldn't like it, a customer might be drawn in as a witness.
Q. All right. At least you told them that?
A. Yes.
Q. Now, also-- and we've been through this earlier today, without getting into the service and all of the other factors, you at least agree with me that the patents have been-- the existence of the patents have been a factor in enabling Ogilvie to enjoy a much larger market share than Manildra despite

Table 1

Collins Licensing, L.P. v. AT&T, No. 92-1201,-1294, 1993 U.S. App. LEXIS 29093, (Fed. Cir. Nov. 5, 1993)

> After a jury trial, judgment was entered against AT&T in accordance with special verdicts that claims 29, 34, 37-39, 43 and 47-48 are not invalid and that AT&T had infringed only claim 29 of the asserted claims.
>
> ***
>
> However, the jury would have had to find that the prior art does not show individual control of a time module or a space module. On this record, substantial evidence does not support such a finding. [pp. 1, 9]

Mendenhall v. Cedarapids, Inc., 5 F.3d 1557, 1576 (Fed. Cir. 1993)

> Cedarapids argues that, as a matter of law, claims 12 and 13 are invalid for obviousness (as well as claim 1) based on the prior art including prior art respecting the temperature limitations.
>
> ***He makes no argument going to the merits, stating only that there was "ample evidence" to support nonobviousness of all claims. The evidence cited is the testimony of a witness who merely stated he believed the patent office had considered all of the prior art raised by Cedarapids against Mr. Mendenhall's '904 and '905 patents. This does not negate the merits of Cedarapids' challenge. In view of these circumstances, we hold that claims 12 and 13 of the

'904 patent were also proved invalid for obviousness. [p. 1576]

John H. Ernster and Excelpro, Inc. v. Ralston Purina Co., No. 91-1270,-1271,-1281, 1992 U.S. App. LEXIS 26507 (Fed. Cir. Oct. 13, 1992), *cert denied*, 123 L.Ed.2d 472, __ U.S. __ (1993)

> The district court entered judgment, based on jury verdicts, for validity, willful patent infringement, "conspiracy to commit patent infringement," trade secret misappropriation, intentional interference with business relations (against Deltown only), unjust enrichment, and fraud (against Ralston only). Because on this record no reasonable jury could have reached this result, this court reverses the judgments of infringement and willful [*2] infringement *** Because appellees did not produce sufficient evidence to support the state law claims, this court reverses the judgments of trade secret misappropriation, intentional interference with business relations, unjust enrichment, and fraud. [p. 1]

Oiness v. Walgreen Company, No. 91-1467,-1496, 1992 U.S. Ap. LEXIS 26505 (Fed. Cir. Oct. 8, 1992), *cert denied*, 123 L.Ed.2d 473, __ U.S. __ (1993)

> On the record, this court finds no substantial evidence supporting the jury's damage award.
>
> ***
>
> Because the jury instructions did not adequately distinguish between damages for the separate 1985-86 infringement and because substantial evidence does not support the jury's

damages award, this court vacates that award and remands. [pp. 3-5]

Braun Inc. v. Dynamics Corporation of America, 975 F.2d 815, 822-23 (Fed. Cir. 1992)

> We must determine whether there is substantial evidence, when viewed as a whole, upon which a jury could determine under the clear and convincing evidence standard that Waring willfully infringed Braun's patent. We find insufficient evidence upon which the jury could rely. [pp. 822-23]

Read Corp. v. Portec, Inc., 970 F.2d 816, 825 (Fed. Cir. 1992)

> Having reviewed the evidence of record, we agree with Portec that substantial evidence does not support the jury's verdict of infringement under the correct legal standard for infringement of a design patent. [p. 825]

Jerome H. Lemelson v. General Mills, Inc., 968 F.2d 1202 (Fed. Cir. 1992), *cert denied*, 122 L.Ed.2d 131, __ U.S. __ (1993)

> Finding no problem with the jury instructions, we are left to consider whether substantial evidence, in light of the applicable law, supports the jury's verdict.
>
> ***
>
> We therefore conclude that no reasonable jury could read reissue claim 3 both to be valid in view of Gardiol *and* infringed by Hot Wheels. [pp. 1207, 1208]

Malta v. Schulmerich Carillons, Inc., 952 F.2d 1320 (Fed. Cir. 1991), *cert denied*, 119 L.Ed.2d 566 (1992)

> I respectfully dissent, for neither the law nor the record provides a basis for overturning the jury's verdict. Upon full trial, upon agreed and correct jury instructions, upon substantial evidence in the form of testimony and exhibits and demonstrations, a reasonable jury could have reached the verdict of infringement reached by this jury. That ends our review. With all respect o my colleagues on this panel, their rejection of the jury verdict and *de novo* determination of the factual issue of infringement is contrary to the law governing appellate review of jury verdicts. [*dissent*, p. 1331]

Tol-O-Matic, Inc. v. Proma Produkt-Und Marketing, 945 F.2d 1546 (Fed. Cir. 1991)

> The jury found that the subject matter of claim 25 was "not useful". On this finding, the district court held claims 25-31 invalid for failure to meet the utility requirement of 35 U.S.C. § 101 [Footnote omitted].
>
> ***
>
> On the evidence adduced, a reasonable jury could not have found the "total incapacity" that is required to prevail on a lack of utility defense under § 101. [pp. 1552, 1553]

Wilson Sporting Goods Co. v. David Geoffrey & Associates, 904 F.2d 677, 685 (Fed. Cir.), *cert denied*, 498 U.S. 992 (1990)

> The only theory of liability presented to the jury by Wilson was infringement under the doctrine of equivalents.

> Dunlop's argument for reversal is straightforward. It contends that there is no principled difference between the balls which the jury found to infringe and the prior art Uniroyal ball; thus to allow the patent to reach Dunlop's balls under the doctrine of equivalents would improperly ensnare the prior art Uniroyal ball as well.
>
> ***
>
> We hold that these differences are so slight and relatively minor that the hypothetical claim-which permits twice as many intersecting dimples, but with slightly smaller intersections-viewed as a whole would have been obvious in view of the Uniroyal ball. [pp. 683, 685]

Senmed, Inc. v. Richard-Allan Medical Industries, Inc., 888 F.2d 815, 821-26 (Fed. Cir. 1989)

> Here the jury returned a naked verdict stating the ultimate fact of infringement. That circumstance requires the district court, and this court on appeal, to presume not only the jury's claim interpretation but also the findings necessary to support that interpretation [citation omitted]. Whether the jury premised its infringement finding on a literal reading of the claim or on the doctrine of equivalents, the claim interpretation necessary to support a finding of infringement cannot in this case be supported by the record. [pp. 10-11]
>
> DISSENT: NEWMAN, Circuit Judge, dissenting.
> This appeal is from a jury verdict of infringement, yet it is difficult to find in the majority opinion any deference to the jury, or application of the standard by which jury verdicts are reviewed on appeal***

> It is no more appropriate for the appellate court, than for the trial court on motion for judgment n.o.v., to decide the issue of infringement independent of the jury verdict. [p. 19]

Lear Siegler, Inc. v. Sealy Mattress Company of Michigan, Inc., 873 F.2d 1422, 1426 (Fed. Cir. 1989)

> Responding to a special verdict form, the jury determined that the patents were infringed, not literally but under the doctrine of equivalents***
>
> The court denied the motions for JNOV and for a new trial. Although acknowledging *Nestier's* requirement that equivalence of function, means, and result must be specified to the jury, the court said the requirement had been met. In the court's view, on the basis of the testimony, arguments, and exhibits as presented, the jury was perfectly capable of reaching a reasonable conclusion with regard to equivalence
>
> ***
>
> The evidence was fatally deficient for failure of explication as required by *Nestier*. [pp. 1424, 1425, 1427]

Sun Studs, Inc. v. ATA Equipment Leasing, Inc., 872 F.2d 978, 993 (Fed. Cir. 1989)

> The questions of laches and estoppel were submitted to the jury, who found that laches applied against Sun Studs on sawmill infringement but no on veneer mill infringement***

> The jury verdict of laches as to sawmills can not stand, for there was not substantial evidence on which this verdict could have been reached. [p. 993]

Dana Corporation v. IPC Limited Partnership, 860 F.2d 415, 419-20 (Fed. Cir. 1988), *cert denied*, 490 U.S. 1067 (1989)

> The district court, on the basis of a general jury verdict, held the '621 patent to be valid, enforceable and willfully infringed by IPC
>
> ***Therefore, the trial court's denial of IPC's JNOV motion on best mode grounds cannot stand because it was based upon an incorrect interpretation of the law. Rather than remand this case for a proper application of the law, however, we are convinced there are sufficient established facts of record to exercise our discretion to determine the merits of IPC's JNOV motion *** In order to grant IPC's JNOV motion we must determine as a matter of law that, upon the evidence presented at trial, reasonable minds could not have found that the best mode requirement was satisfied. [pp. 417, 419]

Sjolund v. Musland, 847 F.2d 1573 (Fed. Cir. 1988)

> This suit for patent infringement was tried to a jury and, by agreement of the parties, presided over by a magistrate. Defendants...appeal from the judgment entered on the jury's verdict, holding them liable for infringing Roger Sjolund's (Sjolund) U.S. Patent No. 4,221,071 *** The jury was asked to decide the question of obviousness.
>
> ***

The jury was not at liberty to disbelieve the evidence which established these devices as prior art.

***

Thus, if the jury did construe the word "baffle" to require a rigid design, and the word "panel" to require a panel of a latticed construction, it erred as a matter of law. [pp. 1574, 1575, 1579]